

AR09



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Annual Meeting

The Annual Meeting of Shareholders will be held at 11:30 am, Thursday, April 21st, 1977, in Toronto, in the Ontario Room of the Royal York Hotel.

Statistical Supplement

Shareholders and other interested persons wishing more detailed information may request the financial statistical supplement by writing to the Corporate Finance Department, Traders Group Limited, 625 Church Street, Toronto, Ontario M4Y 2G1.

Assemblée annuelle

L'assemblée annuelle des actionnaires aura lieu à 11:30, jeudi, le 21 avril 1977 à Toronto. Endroit: salon Ontario, Hôtel Royal York.

Rapport annuel

Si vous désirez recevoir en exemplaire en français du rapport annuel du Groupe Traders Limitée, veuillez vous adresser au service de la trésorerie, Le Groupe Traders Limitée, 625 Church Street, Toronto, Ontario M4Y 2G1.



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Guaranty Trust

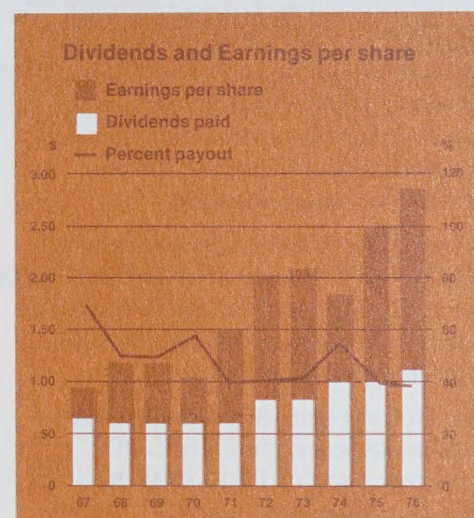
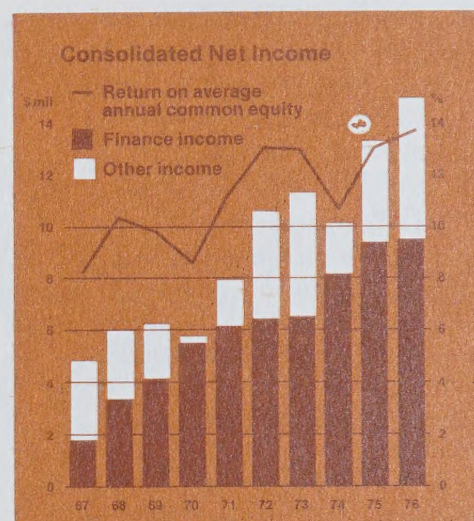




	1976	1975	% increase (decrease)
INCOME (\$'000's)			
Net income by source			
Finance	\$ 9,327	\$ 9,279	0.5%
Guaranty Trust	1,150	1,102	4.4
Canadian General Insurance Group	2,140	1,405	52.3
Land Development	2,063	1,511	36.5
	14,680	13,297	10.4
Dividends on preferred shares	2,759	2,256	22.3
Earnings available for common shares	11,921	11,041	8.0
Extraordinary items	759	479	58.5
Earnings after extraordinary items	\$ 12,680	\$ 11,520	10.1
Return on average annual common equity	13.5%	12.9%	
Return on average annual assets	1.44%	1.36%	

PER SHARE (dollars)			
Net income by source			
Finance	\$ 2.24	\$ 2.08	7.7
Guaranty Trust	0.28	.25	12.0
Canadian General Insurance Group	0.51	.31	64.5
Land Development	0.50	.34	47.1
Earnings per common share			
Before extraordinary items	2.86	2.47	15.8
After extraordinary items	3.05	2.58	18.2
Common dividends—Paid	1.10	1.00	10.0
Book value	\$21.99	\$20.36	8.0
Average number of common shares ('000's) ..	4,164	4,467	(6.8)

OPERATIONS (\$'000's)			
At year-end			
Finance receivables outstanding	\$ 891,546	\$ 903,907	(1.4)
Total trust assets under administration	2,050,751	1,798,856	14.0
During the year			
Gross operating income	141,073	126,847	11.2
Insurance premiums earned	52,055	40,502	28.5
Trust revenues	115,145	100,167	15.0



Chairman's Report to Shareholders

Earnings applicable to common shares for the year ended December 31, 1976 before extraordinary items were a record \$11,921,000 or \$2.86 per common share, compared with \$11,041,000 or \$2.47 per share for 1975.

In 1972, an agreement was reached with a Canadian chartered bank whereby it would acquire a 40 per cent interest in Aetna Factors Corporation Ltd. over a four year period. The final sale was made in 1976 resulting in an extraordinary gain of \$463,000. Traders retains a 60% equity interest in the factoring company. An additional extraordinary gain of \$296,000 resulted from the realization of tax losses of prior years in the Insurance Group. Including the extraordinary items, profit available to common shareholders rose to \$12,680,000 or \$3.05 per common share.

Profit from finance operations was \$9,327,000 compared with \$9,279,000 in 1975. This was the tenth consecutive year of increased profit for Traders lending activities.

Profit from land development operations increased to \$2,063,000 compared with \$1,511,000 the previous year.

The Canadian General Insurance Group again improved its contribution which amounted to \$2,140,000, up from \$1,405,000 in 1975.

Traders share of earnings of Guaranty Trust Company of Canada remained relatively stable at \$1,150,000 compared with \$1,102,000 a year earlier.

The dividend payment for the last quarter of 1976 was raised to 29½ cents, a two cent increase over the previous three quarters.

The year 1976 proved to be a difficult one for Canadian business. While the rate of inflation moderated, the demand for consumer durables fell short of expectations and was further aggravated by a continued high level of unemployment in many regions of the country. Similarly, the demand for commercial and industrial machinery and equipment fell short of estimates. Under these circumstances, the improved results of Traders and its subsidiaries reflect the benefit of having earning assets of quality and the ability to provide a diversified range of financial services.

Assessment, representations and compliance with the long awaited Anti-Inflation Board regulations took an inordinate amount of management time during the year. It is management's opinion that the Company and its subsidiaries have complied with the controls on profit margins, compensation and dividends.

The Federal Government's May 1976 Budget largely reduced the use of Capital Cost Allowance in connection with leasing. Representations by way of briefs and personal meetings with government officials continue in connection with this issue as well as

the White Paper on Canadian Banking and the Borrowers & Depositors Protection Act, all of which have received broad publicity.

On February 17, 1977, Traders announced its intention to make a cash and share exchange offer to all shareholders of Guaranty Trust Company of Canada, other than those who are resident in the United States. The offer of one Class A common share of Traders plus \$9.00 cash for each three shares of Guaranty Trust is contingent on acceptance by the holders of at least 1,514,700 shares of Guaranty Trust. If successful the offer will result in an increase in Traders ownership of the trust company from 58 per cent to nearly 90 per cent.

In the opinion of Traders Board of Directors, this should be in the best interests of both Traders and Guaranty Trust shareholders. It would concentrate the ownership of the trust company and result in a broader-based, more diversified financial services organization with the flexibility considered necessary in the changing financial services field. The results of the offer should be known by the latter part of April.

Immediately following last year's Annual Meeting, Mr. E.W. Flanagan was appointed President and Chief Operating Officer. Under his guidance the Company's finance operations have continued their excellent performance despite difficult market conditions.

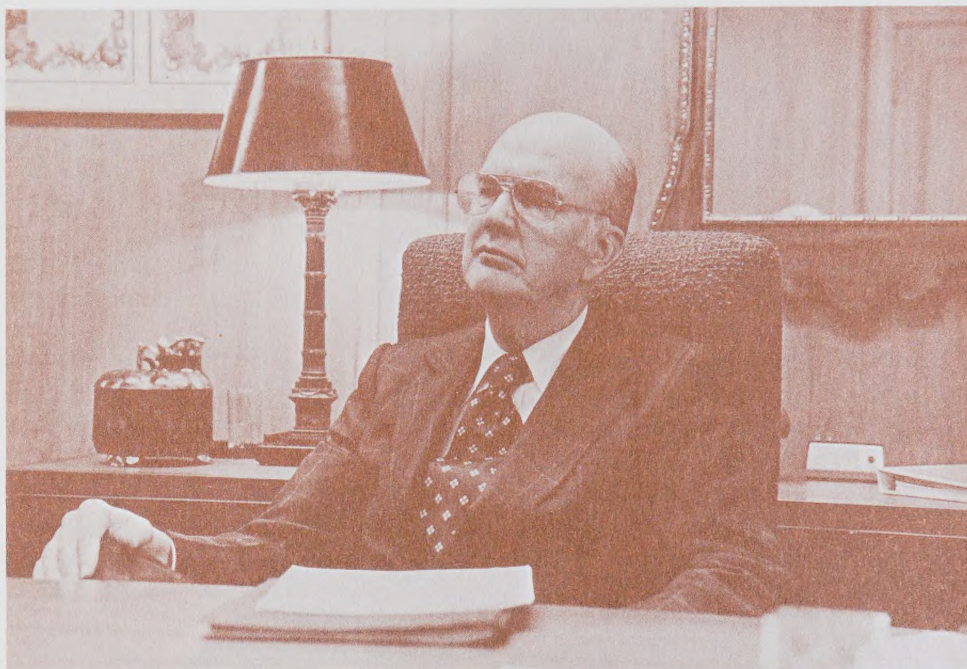
The Board of Directors has regretfully accepted the resignations of Mr. H.N. Crawford and Mr. G.R. Sharwood and

acknowledges their contribution to the Board. Appreciation is also extended to all the management and staff for their noteworthy performance.

The economic outlook for 1977 does not look encouraging. The year promises to be an extremely challenging one. Forecasts indicate the rate of growth in real gross national product will be substantially down; consumer spending will be weaker and unemployment will remain a stubborn problem notwithstanding stimulative measures taken by government some of which could have a detrimental effect on Canada's efforts to moderate inflation. Efforts by the United States to deal with its unemployment difficulties may benefit Canada, but it would be unrealistic to expect much impact this year.

The artificially high spread in interest rates between Canada and the United States is likely to continue, compounded by recent uncertainties raised by the Quebec election.

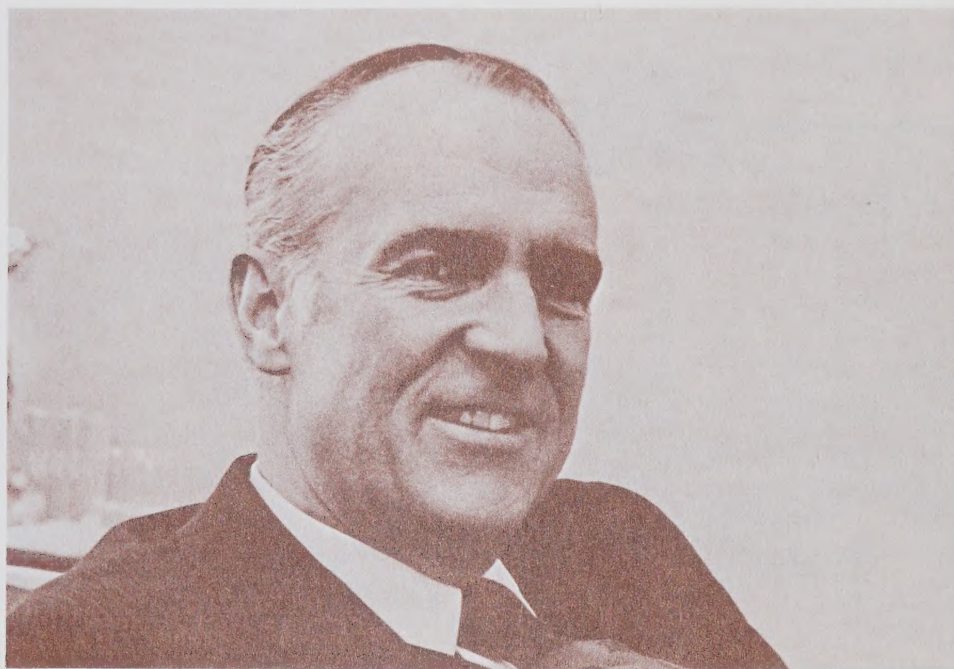
Since we can look forward to little pickup in industrial and commercial demand, it is hard to foresee more than a modest profit increase from finance operations in 1977. On the other hand, we anticipate an improvement in the Guaranty Trust results as well as further gains by the Canadian General Insurance Group and land development operations. On a consolidated basis, a satisfactory profit improvement is expected.



HENRY E. DYNES
Chairman of the Board and
Chief Executive Officer

H.E. DYNES
Chairman of the Board and Chief Executive Officer

President's Report



E.W. FLANAGAN
President and Chief Operating Officer

The two marketing groups which conduct Traders lending activities felt the effects of the economic slowdown in 1976.

Personal Financial Services, which offers diversified financing and lending services to the Canadian consumer and Business Financial Services which provides a broad range of services to business and industry, faced challenges in the areas of business acquisitions, delinquencies, credit losses, expenses and profit margins.

Under these conditions it is a tribute to the specialized management and staff of these two groups that the record of increased annual profit from total financing operations was extended to the tenth consecutive year.

Traders lending activities contributed \$9,327,000 compared with \$9,279,000 the previous year.

While only modest overall growth had been anticipated, even this proved to be optimistic as the year unfolded. Receivables outstanding declined marginally by 1.4 per cent. The Company's policy of consistently monitoring the various financing portfolios to assess their contributions to the return on investment, resulted in some shift in outstandings. Increases were registered in residential mortgages, consumer loans and leasing while reductions took place in the automobile and mobile home portfolios.

In a time of economic uncertainty and declining demand, Traders policy of maintaining broadly diversified lending portfolios has proven successful in ensuring stability, marketing flexibility and earnings base.

Despite higher borrowing costs during the year and intense competition,

interest margins improved somewhat. This was accomplished by emphasis on higher yielding portfolios.

Anticipating a possible downturn in the economy, the Company introduced more stringent credit policies in 1974 which have been continued. As a further safeguard, the allowance for credit losses was increased in 1975 and was further increased in 1976. Credit losses increased during the year but credit loss reserves were maintained at a commensurate level.

General and administrative expenses were held to a 4.1 per cent increase. This was achieved by improved productivity. Some branch offices were closed during the year, however, customer service was expanded by giving selected branches additional compatible portfolios. As an example, mortgage lending was introduced into many consumer loan branches following extensive training of the personnel involved.

The present market conditions, which are likely to continue throughout most of 1977, do not indicate a substantial increase in financing outstandings. During the year the Company plans to introduce additional financing services as well as joint marketing programs with Guaranty Trust Company of Canada on a selective basis. It will also entertain favourable bulk acquisitions of receivables.

The Company's financing operations will continue to stress quality of receivables, productivity and the allocation of its resources to portfolios with proven ability to achieve the return on investment standards.

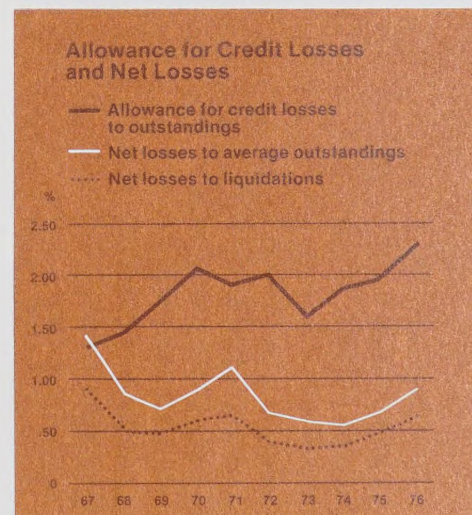
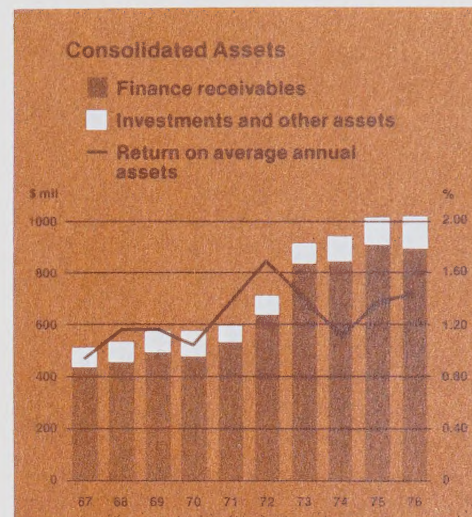
	1976	1975	% increase (decrease)
FINANCE RECEIVABLES OUTSTANDING (\$'000's)			
Direct cash loans			
Precomputed.....	\$ 147,324	\$ 141,109	4.4%
Interest Bearing	18,903	18,830	0.4
	<u>166,227</u>	<u>159,939</u>	3.9
Consumer retail notes and contracts			
Motor vehicles.....	99,236	115,704	(14.2)
Mobile homes	20,754	28,846	(28.1)
Residential mortgages and home improvements.....	158,486	144,977	9.3
Miscellaneous.....	32,603	30,864	5.6
	<u>311,079</u>	<u>320,391</u>	(2.9)
Commercial loans and contracts			
Industrial and commercial equipment	115,599	124,812	(7.4)
Commercial loans	31,392	36,296	(13.5)
Leasing.....	134,695	115,487	16.6
Factoring and commercial financing	50,220	58,927	(14.8)
	<u>331,906</u>	<u>335,522</u>	(1.1)
Wholesale			
Motor vehicles.....	51,788	61,286	(15.5)
Other.....	30,546	26,769	14.1
	<u>82,334</u>	<u>88,055</u>	(6.5)
	<u>\$ 891,546</u>	<u>\$ 903,907</u>	(1.4)

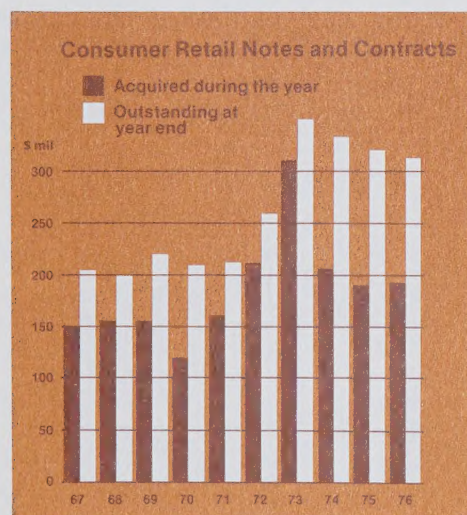
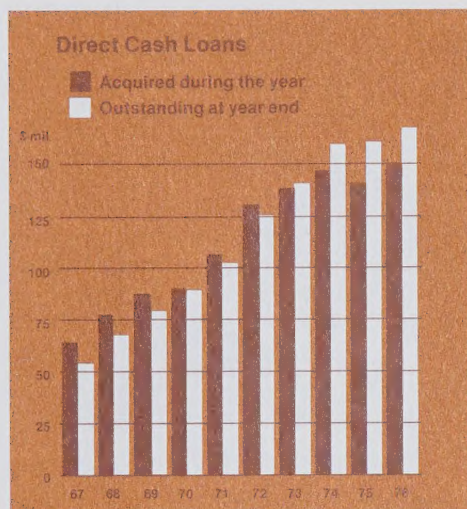
FINANCE RECEIVABLES ACQUIRED (\$'000's)			
Direct cash loans	\$ 150,670	\$ 139,570	8.0
Consumer retail notes and contracts	192,175	187,651	2.4
Commercial loans and contracts	575,790	554,767	3.8
Wholesale.....	348,750	374,800	(7.0)
	<u>\$1,267,385</u>	<u>\$1,256,788</u>	0.8

FINANCE INCOME (\$'000's)			
Gross finance operating income	\$ 128,301	\$ 116,527	10.1
Expenses: Borrowing costs.....	63,378	55,102	15.0
Provision for credit losses	10,684	8,531	25.2
General and administrative	36,345	34,927	4.1
	<u>110,407</u>	<u>98,560</u>	12.0
Income	17,894	17,967	(0.4)
Net contribution to Traders	<u>\$ 9,327</u>	<u>\$ 9,279</u>	0.5

STATISTICAL INFORMATION

Unearned income to related receivables	22.0%	21.8%
Accounts 60 days or more past due	3.58	4.22
Allowance for credit losses to outstandings	2.32	1.97
Net losses to average outstandings.....	0.90	0.65
Net losses to liquidations.....	0.65	0.49





As indicated in the Chairman's Report to Shareholders, the demand for many consumer durables including automobiles, major home appliances and recreational equipment fell short of earlier predictions. This in turn reduced the consumer sales financing potential since these are significant financing portfolios.

Consumer confidence is a necessary ingredient to purchasing on credit or borrowing. Consumer confidence declined further in 1976, largely as a result of uncertainties raised by the AIB controls on wages and the continuing high level of unemployment.

Unemployment and labour strikes in some regions not only reduced demand for consumer loans but necessitated more selective credit criteria.

The result was that Traders retail outstandings for automobile financing declined by 14 per cent, largely because of intensive rate competition from banks and finance subsidiaries of manufacturers. Retail financing of mobile homes was curtailed as planned because of the portfolio's inability to meet Traders return on investment standards in some areas.

An increase in consumer loans outstanding was accomplished by the bulk acquisition in June of \$16 million in receivables.

Inventory financing for dealers remained relatively constant over the year while a satisfactory gain was achieved in residential mortgage outstandings.

Gross income and yield improved in 1976, however, these were offset by higher credit loss provisions considered warranted because of the weak economic conditions in which a high unemployment rate and the inflationary pressure on consumers prevailed. In keeping with the present outlook for 1977, credit loss reserves were increased from \$9,488,000 or 1.85 per cent of outstandings in 1975, to \$10,884,000 or 2.13 per cent of outstandings in 1976.

The program, started in 1975, to integrate all management positions above the branch manager level was completed in 1976. Further selected branches were integrated to provide a broader range of consumer financing services at one branch location, reduce costs and improve productivity. The results have been most encouraging. This program will be expanded where feasible in 1977.

In view of the low consumer confidence outlook for most of 1977, this marketing group plans minimal selective growth. Emphasis will continue on ensuring quality earning assets and improved productivity.

This marketing group, which provides financing packages and services to Canadian business, felt the effects of reduced demand in the industrial and commercial sector from that originally forecast for 1976.

Industrial and commercial equipment financing declined marginally as capital expenditures for equipment were curtailed in industries such as forest products, road-building and manufacturing. This reflected the cautious attitude that prevailed throughout the year in these industries.

The depressed forest products industry in 1976 following a year of crippling strikes resulted in a major decline of business in this portfolio.

Credit loss expense was reduced in 1976 and repossession outstandings showed marked improvement. Nevertheless, as a result of slowdowns in certain sectors, these areas required constant attention.

A marginal improvement in the profitability of equipment financing is expected in 1977 through close attention to the control of credits and operating expenses.

Leasing volume, outstandings and profit gained over last year's levels in spite of the May 1976 Federal Budget restricting the use of capital cost allowances. The result of this new taxation development has been to increase the cost to the lessee which has at least temporarily reduced the leasing opportunities for Canadian leasing companies.

One of the more notable transactions in 1976 was the purchase of a new Boeing 737, for lease to Pacific

Western Airlines. This aircraft was added to a leased fleet which now includes a Lockheed L1011, 3 Boeing 737s and a Lockheed Hercules, all with major companies in Canada's air transport industry.

Despite the taxation change, leasing remains a viable alternative to debt financing for Canadian businesses. In 1977 Traders will monitor the changing leasing marketplace to ensure sustained growth and profit in this portfolio.

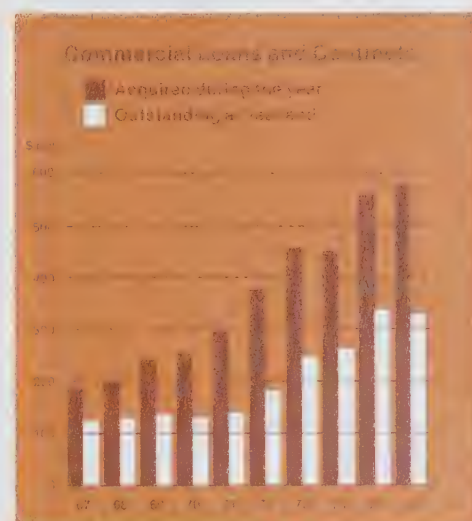
The contribution to Traders profits from Aetna Factors Corporation Ltd. which conducts factoring, accounts receivable, and export-import financing was \$392,000, down from the record level of \$499,000 in 1975.

Late in the year, Aetna's data processing subsidiary was sold. The total after-tax loss for the year with respect to this discontinued operation was \$179,000.

In its continuing operations, profit exceeded that of the previous year. The volume of business transacted and gross revenues reached all-time highs. However, credit loss expense increased because of the economic recession, and the more conservative general reserve policy management considered prudent in the prevailing economic climate.

Because of the weak business outlook only a moderate increase in activity is expected in 1977. Through stringent cost controls it is expected that Aetna will achieve a modest increase in earnings.

It has been the policy during 1975 and 1976 to restrict growth in international operations because of the uncertain world trading and economic conditions.



However, gross income fell even below expectations. In addition, increased credit loss reserves were established to provide for possible further disruptions in the ocean tanker field. The result was a loss of \$187,000 for 1976.

While an increase in business volume is anticipated in 1977, a conservative lending policy will be followed in the international operations to ensure a profitable earnings base for future years.

Land Development Operations

While housing activity was sporadic in 1976, Traders fared well because of the previous care in selecting saleable land in strategically located areas of the country. Profit from land development operations was \$2.1 million, 36 per cent higher than in 1975. This was achieved despite a pause in sales while the complex regulations resulting from the Anti-Inflation Board guidelines were assessed and clarified.

During the year, land inventory was expanded to 2,042 acres from 1,768 acres. Land inventory is located in Alberta (62 per cent), Ontario (36 per cent), and Quebec (2 per cent). Most is located in suburban communities adjacent to major urban growth areas in these three provinces.

In 1975 and 1976 the Company entered the house and condominium construction field on a selective basis. While profitable, it was decided at the end of 1976 to withdraw from this highly competitive field to concentrate efforts on proven areas of expertise; the development, servicing and sale of building lots to qualified builders.

Despite predictions for lower housing starts during 1977, the Company expects that the quality and location of the land portfolio will lead to a satisfactory increase in sales and profits.

Summary of Assets and Liabilities (\$000's)

	November 30	
	1976	1975
ASSETS		
Cash	\$ 564	\$ 82
Mortgages receivable	9,664	11,605
Land inventory at development cost	18,455	12,347
Investment in associated companies, at equity value	350	912
Fixed assets (net of depreciation)	88	66
	<u>\$29,121</u>	<u>\$25,012</u>
LIABILITIES		
Payables	\$ 3,431	\$ 3,335
Bank loans	4,318	905
Mortgage payable	4,197	5,091
Income taxes (current and deferred)	3,367	2,552
Deferred gross margin on land sales	—	91
Advances from parent and associated companies	7,417	7,900
Traders investment, at equity value	6,391	5,138
	<u>\$29,121</u>	<u>\$25,012</u>

Summary Statement of Income (\$000's)

	Year Ended November 30	
	1976	1975
Income		
Land sales	\$12,564	\$10,189
Deferral on gross margin	—	(91)
Other	988	684
	<u>13,552</u>	<u>10,782</u>
Investments in associated companies	60	284
	<u>13,612</u>	<u>11,066</u>
Expenses		
Cost of sales	8,134	7,416
General and administrative	1,578	855
	<u>9,712</u>	<u>8,271</u>
Income before income taxes	3,900	2,795
Income taxes	1,837	1,284
Net contribution to Traders	<u>\$ 2,063</u>	<u>\$ 1,511</u>

Dividends

During 1976 Traders declared its 115th consecutive quarterly dividend. In addition, the annual dividend rate was increased effective January 1, 1977, to \$1.18 per share, up from \$1.10. Based on the 1976 results, this represents a dividend payout of approximately 40 per cent to Traders common shareholders.

After common and preferred dividends the Company retained a further \$8 million for future expansion. The return on average common equity was 13.5 per cent in 1976, the highest level in 20 years, thus giving Traders a solid base for future growth.

Capital Structure and Borrowings

1976 was a year of consolidation and strengthening of the capital structure. Total capitalization was \$807.3 million at December 31, 1976 compared to \$809.4 million a year earlier. As a result of three long term debt issues the level of short term debt declined bringing about a further strengthening of liquidity. Capital funds rose 5 per cent to \$225.8 million. This included a \$10 million issue of 10 3/4 per cent debentures due April 15, 1991. In addition, the ratio of senior debt to capital funds was 2.6:1 as compared to 2.8:1 in 1975. These realignments place Traders in a position to be able to handle significant growth when the economy begins to move ahead.

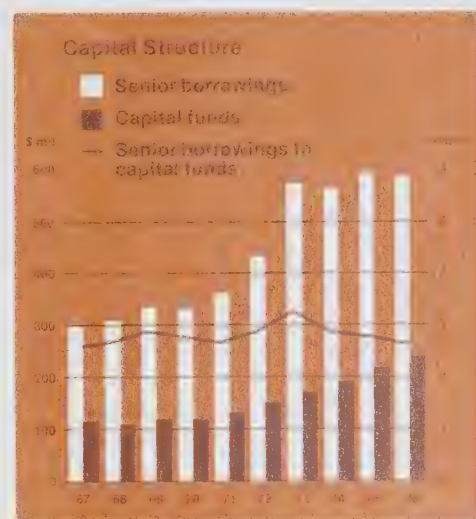
The strong capital structure, coupled with an excellent record of Finance Group earnings and the improved quality of subsidiary earnings, has enabled Traders to receive an R1 commercial paper rating from the Dominion Bond Rating Service.

The improved availability of funds in the short term money market resulted in less dependence on borrowings under bank lines of credit during the year. Bank lines of credit were increased 15 per cent to \$320.8 million, representing 160 per cent of short term borrowings. At year-end, there were no borrowings outstanding under these lines of credit.

Shareholders and Capital

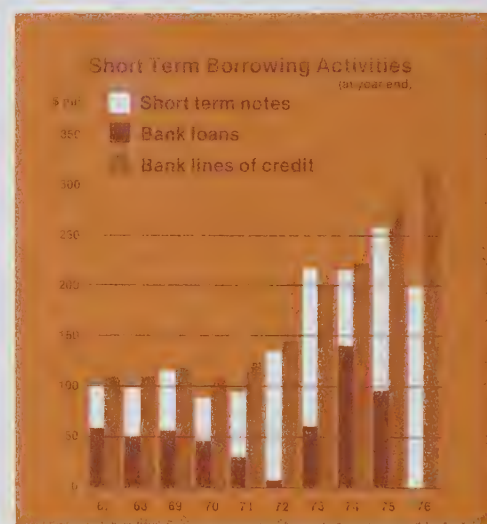
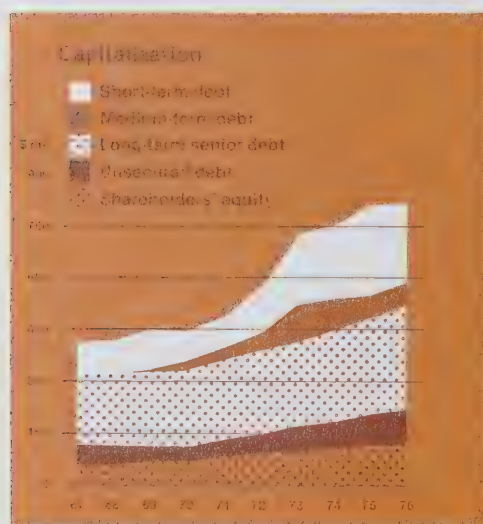
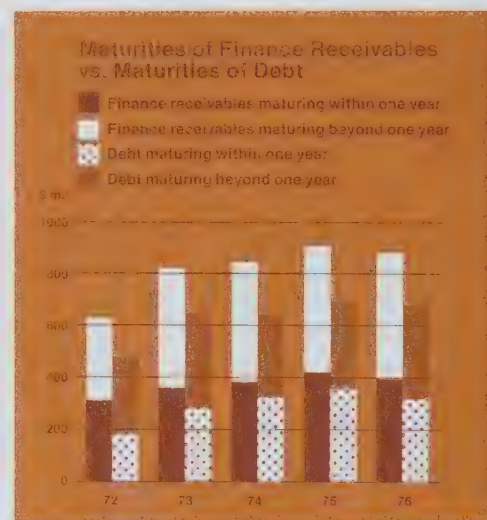
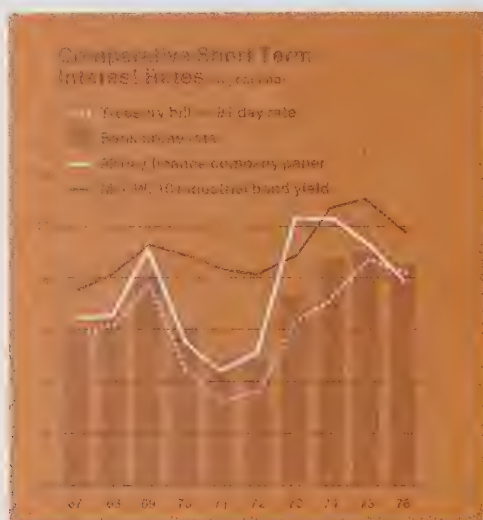
The number of common shares effectively outstanding increased 4 per cent to 4,243,256 as a result of the exercise of the 1966 share purchase warrants which expired in 1976.

The book value of Traders common shares rose 8 per cent to \$21.99. In the ten years ended December 31, 1976, the average annual compound rate of growth in book value was 8 per cent.



Financial Review

(continued)



Money Markets

Sales of short term notes in the open market in 1976 were much improved over the previous year with the twelve month average in outstandings being \$212 million which exceed 1975 by \$54 million. Average bank borrowings in 1976 were 59% below those of 1975.

Although Traders 1976 placement rates average 1.04% higher than 1975 due to market conditions, Traders rates continue to be closely aligned with its major competitors. This results from broader market acceptance of Traders paper and strong coverage by the Selling Group members. Marketability has also grown significantly in the secondary or trading market with a wider range of investors and banks showing greater interest in Traders short term paper.

Consolidated Summary of Maturities (\$000's)

Maturity Dates Within:	Assets		Liabilities		Difference
	Receivables	Other	Debt	Other	
1977	\$401,286	\$ 28,268	\$317,146	\$ 60,155	\$ 52,253
1978	183,951	—	23,091	—	160,860
1979	107,655	—	18,759	—	88,896
1980	62,511	—	41,699	—	20,812
1981	62,385	—	24,216	—	38,169
	<u>817,788</u>	<u>28,268</u>	<u>424,911</u>	<u>60,155</u>	<u>360,990</u>
Beyond 1981	73,758	—	243,364	—	(169,606)
Finance	891,546	28,268	668,275	60,155	191,384
Unearned income	(120,664)	—	—	—	(120,664)
Loans to associated companies	16,872	—	—	—	16,872
Allowance for credit losses ..	(21,063)	—	—	—	(21,063)
Land development and other	14,428	92,035	8,515	34,924	63,024
	<u>\$781,119</u>	<u>\$120,303</u>	<u>\$676,790</u>	<u>\$ 95,079</u>	<u>\$129,553</u>

Traders Group Limited Funding Activities (\$000's)

	December 31		Increase (Decrease)	
	1976	1975	Amount	Percent
Secured debt				
Short term notes				
—Bank	—	\$ 96,231	\$ (96,231)	(100.0)%
—Open market	\$200,903	159,603	41,300	25.9
Medium term notes	82,778	73,804	8,974	12.2
Long term notes	238,718	208,188	30,530	14.7
Unsecured debt	96,225	94,046	2,179	2.3
Capital and surplus	129,553	119,764	9,789	8.2
Bank credit lines	320,834	278,870	41,964	15.1

Description of Services

Traders provides the public and business community with comprehensive financial services.

These financial services and packages are among the broadest and most flexible financial programs offered today. The principal activities include:

Personal Financial Services

Traders was founded 56 years ago to purchase conditional sales contracts from automobile and farm equipment dealers. The dealer sells the contract to Traders and the purchaser becomes a Traders customer, making regular contractual payments.

The Company also purchases conditional sales contracts for mobile homes, recreational vehicles and other major durable goods.

Traders also offers wholesale financing for dealers. On the dealer's behalf, Traders pays the manufacturer for his inventory — of new automobiles, for example. When a car is sold to a retail purchaser, Traders is paid by the dealer and, if it is a credit sale, a retail conditional sale contract is completed. Traders then purchases the retail contract from the dealer as described earlier.

Wholesale financing is available for a variety of business, including those engaged in the sale of farm equipment, leisure products and mobile homes.

Through Trans Canada Credit Corporation Limited, direct cash loans are made to the Canadian public. Loans are used for furniture, appliances, vacations, home improvements or to consolidate a number of small debts.

First and second mortgage financing is provided for the purchase of principal residences, rural and vacation properties and for home improvements.

Financial counselling and budgeting are an important part of the service.

Business Financial Services

Traders offers corporate loans to companies wishing to improve working capital, make an acquisition, or to expand premises or acquire equipment.

The Company finances industrial and commercial equipment and machinery by conventional financing or leasing. In conventional financing, for example, Traders advances to the vendor funds for a bulldozer. The contractor then repays Traders in regular installments tailored to the earning capacity of the equipment over its useful life. The contractor owns the equipment and depreciates it as a capital asset. It is a "pay-as-you-earn" contract.

Leasing is a useful alternative to conventional equipment financing. In this case, Traders owns the asset and leases it to the company for a specified period of time. As the asset earns income, commensurate payments are made to Traders. Such payments are a business expense for the lessee.

Industrial equipment financing includes such items as printing presses, fleets of trucks, construction, mining and forestry equipment. In addition to these products, leasing is employed for such items as railway cars, commercial aircraft, production equipment and ocean cargo vessels.

Commercial mortgages are provided on selected revenue-producing properties.

Traders subsidiary, Aetna Factors Corporation Ltd., offers accounts receivable financing, factoring and export-import financing to manufacturers and distributors. Aetna's clients include companies in such fields as textiles, apparel, construction materials, sporting goods and furniture.

Traders broad business experience enables it to give informed financial counselling and conduct complex computer analyses of financing alternatives, to enable a client to select the most favourable option.

Insurance Services

The Canadian General Insurance Group offers to the public and business a broad range of insurance and bonding services. These include automobile, fire, theft and other general insurance. They are a major Canadian surety, performance and bid bonding organization.

The Canadian General Life Insurance Company specializes in group life and disability coverage to professional associations and employee groups, but also offers direct coverage for individuals.

Trust Services

A comprehensive range of personal and business trust services is offered by Guaranty Trust Company of Canada.

Personal services include savings and chequing accounts, mortgages, real estate sales and management, personal loans, retirement savings plans and income tax services.

Business services include trust, registrar and stock transfer services, pension fund management, corporate lending and commercial mortgages.

Traders Group Limited
and Consolidated Subsidiaries

Balance Sheet

(\$000's)

ASSETS

December 31

1976

1975

CASH (Note 2)	\$ 28,268	\$ 23,663
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RECEIVABLES

Finance, including \$401,286 due within
one year (1975—\$425,654)

Consumer	477,306	480,330
Commercial (Note 3)	331,906	335,522
Wholesale	82,334	88,055

	<u>891,546</u>	<u>903,907</u>
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Loans to associated companies	16,872	16,903
-------------------------------------	--------	--------

	<u>908,418</u>	<u>920,810</u>
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Less: Allowance for credit losses	21,063	18,147
---	--------	--------

	<u>887,355</u>	<u>902,663</u>
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INVESTMENTS

Land inventories of subsidiaries, at cost	18,455	12,347
---	--------	--------

Investments in associated companies, at equity value and other investments, at cost	6,240	5,667
--	-------	-------

Investment in subsidiaries not consolidated, at equity value		
---	--	--

—Canadian General Insurance Group	22,183	19,642
---	--------	--------

—Guaranty Trust Company of Canada	36,784	32,922
---	--------	--------

	<u>83,662</u>	<u>70,578</u>
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OTHER ASSETS

Receivables of Land Development subsidiaries and other receivables	14,428	17,727
---	--------	--------

Income taxes recoverable	—	1,315
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Fixed assets, at cost less accumulated depreciation of \$4,102 (1975—\$3,954)	3,441	3,399
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Unamortized cost of borrowed money	4,932	4,410
--	-------	-------

	<u>22,801</u>	<u>26,851</u>
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Approved by the Board

H.E. Dynes, Director

R.L. Sheard, Director

<u>\$1,022,086</u>	<u>\$1,023,755</u>
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LIABILITIES	December 31	
	1976	1975
PAYABLES		
Accounts payable and accrued expenses.....	\$ 21,467	\$ 20,643
Wholesale due to manufacturers	8,139	9,159
Dividends payable	2,111	2,751
Dealers' balances and factoring liabilities	31,549	36,748
Income taxes payable	446	—
	<u>63,712</u>	<u>69,301</u>
DEFERRED CREDITS		
Unearned finance charges.....	120,664	122,481
Deferred gross margin on land sales	—	91
Deferred income taxes	30,422	22,520
	<u>151,086</u>	<u>145,092</u>
SECURED DEBT OF THE COMPANY (Note 4)		
Due within one year		
Short term.....	200,903	255,834
Medium and long term	93,193	59,698
Due beyond one year	253,129	248,374
	<u>547,225</u>	<u>563,906</u>
DEBT OF SUBSIDIARIES (Note 4)		
Due within one year.....	25,509	24,286
Due beyond one year	7,831	6,762
	<u>33,340</u>	<u>31,048</u>
UNSECURED DEBT OF THE COMPANY (Note 4)		
Due within one year.....	2,603	8,663
Due beyond one year	93,622	85,383
	<u>96,225</u>	<u>94,046</u>
MINORITY INTEREST in consolidated subsidiaries.....	945	598
CAPITAL AND SURPLUS (Note 4)		
Preferred shares	36,260	36,888
Common shares.....	51,747	49,506
	<u>88,007</u>	<u>86,394</u>
Surplus.....	69,595	61,419
	<u>157,602</u>	<u>147,813</u>
Elimination of inter-company holdings (Note 4)	(28,049)	(28,049)
	<u>129,553</u>	<u>119,764</u>
The accompanying notes form an integral part of the consolidated financial statements.		
	<u>\$1,022,086</u>	<u>\$1,023,755</u>

Traders Group Limited
and Consolidated Subsidiaries

Statement of Surplus

(\$000's)

	Year ended December 31	
	1976	1975
BALANCE AT BEGINNING OF YEAR	\$61,419	\$54,709
Adjustments arising during the year—		
Change in holdings in subsidiaries	67	(243)
Amortization of cost of issuing preferred		
shares, net of gain on redemption	115	64
Cost of issuing shares (net of income taxes)	—	(209)
Purchase of income funding rights	—	(42)
	<u>61,601</u>	<u>54,279</u>
NET INCOME AFTER EXTRAORDINARY ITEMS	15,439	13,776
Less: Dividends on preferred shares—		
4½%	135	136
5%	58	58
5%, Series A	107	122
\$2.16, Series B	459	470
10¼%	768	768
7.5%	1,232	702
	<u>2,759</u>	<u>2,256</u>
EARNINGS AVAILABLE FOR COMMON SHARES (Note 4) ..	12,680	11,520
Less: Dividends on common shares—net of intercompany		
holdings (1976—\$1.12 per share;		
1975—\$1.02½ per share)	4,686	4,380
EARNINGS RETAINED FOR THE YEAR	7,994	7,140
BALANCE AT END OF YEAR of which \$2.5 million is desig- nated as capital surplus under the Canada Corporations Act. .	\$69,595	\$61,419

Earnings Per Common Share

EARNINGS PER COMMON SHARE		
Before extraordinary items	\$ 2.86	\$ 2.47
After extraordinary items	<u>\$ 3.05</u>	<u>\$ 2.58</u>
Weighted average number of common shares outstanding after intercompany elimination (000's)	4,164	4,467

Traders Group Limited
and Consolidated Subsidiaries

Statement of Net Income
(\$000's)

	Year ended December 31	
	1976	1975
GROSS OPERATING INCOME		
Finance	\$127,521	\$116,065
Land development	13,552	10,782
	<u>141,073</u>	<u>126,847</u>
INVESTMENT INCOME		
Land development	60	284
Equity share in net income of subsidiaries not consolidated		
—Guaranty Trust Company of Canada	1,150	1,102
—Canadian General Insurance Group	2,140	1,405
Other	780	462
Total Income	<u>145,203</u>	<u>130,100</u>
DIRECT OPERATING CHARGES		
Interest expense		
Secured debt of the Company—short term	22,763	19,354
—medium and long term ..	27,476	24,650
Debt of subsidiaries	2,422	3,004
Unsecured debt of the Company	9,032	7,510
Other borrowing costs	1,894	923
	<u>63,587</u>	<u>55,441</u>
Provision for credit losses	10,684	8,531
Cost of sales—land development	8,134	7,416
Commissions and other direct charges	2,064	1,984
	<u>84,469</u>	<u>73,372</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Personnel costs	20,194	18,721
Other	15,191	14,738
Total expenses	<u>119,854</u>	<u>106,831</u>
INCOME before income taxes and minority interest	25,349	23,269
Income taxes (including deferred \$7,902; 1975—\$8,890)	10,408	9,703
	<u>14,941</u>	<u>13,566</u>
Minority interest in net income of consolidated subsidiaries ..	261	269
NET INCOME before extraordinary items	<u>14,680</u>	<u>13,297</u>
EXTRAORDINARY ITEMS		
Income taxes realized on the carry forward of past losses of subsidiaries	296	16
Capital gain on sale of shares of subsidiary	463	463
	<u>759</u>	
NET INCOME after extraordinary items	<u>\$ 15,439</u>	<u>\$ 13,776</u>

Statement of Changes in Financial Position

(\$'000's)

	Increase (decrease) year ended December 31	
	1976	1975
CHANGES IN CONSOLIDATED ASSETS		
CASH	\$ 4,605	\$ 7,682
RECEIVABLES (net of unearned finance charges and allowance for credit losses)	(13,491)	45,843
INVESTMENTS		
Land inventories of subsidiaries	6,108	6,129
Associated companies and other investments	573	3,883
Canadian General Insurance Group	2,541	1,476
Guaranty Trust Company of Canada	3,862	3,639
	<u>13,084</u>	<u>15,127</u>
OTHER ASSETS	(4,050)	7,052
NET INCREASE in consolidated assets	\$ 148	\$ 75,704

SOURCES OF FUNDS TO FINANCE THE INCREASE IN CONSOLIDATED ASSETS

DEBT		
Secured	\$(16,681)	\$32,131
Debt of subsidiaries	2,292	3,359
Unsecured debt of the Company	2,179	9,726
	<u>(12,210)</u>	<u>45,216</u>
EQUITY		
Share capital	1,613	32,113
Increase in surplus	8,176	6,710
Elimination of inter-company holdings (Note 4)	—	(28,049)
	<u>9,789</u>	<u>10,774</u>
OTHER LIABILITIES AND DEFERRED CREDITS		
Payables	(5,589)	10,521
Deferred gross margin on land sales	(91)	91
Deferred income taxes	7,902	9,017
Minority interest in consolidated subsidiaries	347	85
	<u>2,569</u>	<u>19,714</u>
	\$ 148	\$ 75,704

The above statement shows the changes in consolidated assets from the prior year end, and the three major sources of funds (debt, equity and other liabilities and deferred credits).

A conventional statement of changes in financial position is not appropriate to finance companies

since "working capital" for such companies includes long term receivables and long term debt as well as current items. The above statement has been designed to show comparable information appropriate to the operations of the Company's business.

1. Accounting practices:

The major accounting practices followed by the Company and its consolidated subsidiaries are outlined on page 22.

Summary financial statements of subsidiaries not consolidated appear on pages 30 to 34.

2. Cash:

Cash includes \$16.7 million (1975 \$21.8 million) in balances in U.S. banks maintained in accordance with agreements for lines of credit with these banks, and \$6.5 million in money market instruments.

3. Commercial finance receivables:

The following lease receivables are included in commercial finance receivables

	December 31	
	1976	1975
	(\$000's)	
Aggregate rentals receivable	\$129,222	\$109,674
Residuals on expiry of leases:		
Contractual	3,653	3,993
Non-contractual	1,820	1,820
	<u>\$134,695</u>	<u>\$115,487</u>

4. Capitalization:

Details of the secured and unsecured debt, capital position and potential dilution are included in the Capitalization Schedule on pages 23 to 26.

5. Extraordinary item:

The Company completed a final sale of shares in a subsidiary company, and realized a further capital gain of \$463,000 in 1976 pursuant to an agreement entered into in 1972 for the sale of an aggregate of 30% over the period from 1972 to January 2, 1976.

6. Contingent liabilities:

The Company and its subsidiaries, in the normal course of business, have guaranteed letters of credit and bank loans on behalf of customers, and bank loans of associated companies, in the aggregate amount of \$6.3 million at December 31, 1976.

An insurance subsidiary is being sued for damages of \$6.5 million for breach of contract. Legal counsel advises that this action has no merit.

7. Foreign exchange:

Debt of the Company due beyond one year in foreign currencies is carried at the Canadian funds received at date of issue. The total Canadian dollar liability on such notes at current rates of exchange at December 31, 1976 is less than the Canadian funds received at date of issue, indicating a contingent future foreign exchange gain of approximately \$2.6 million. Foreign exchange conditions in the future could alter this position materially.

8. Remuneration of directors and officers:

The aggregate direct remuneration paid to the directors and senior officers of the Company during the year ended December 31, 1976 was:

	As directors		As officers	
	Number	Amount	Number	Amount
		(\$000's)		(\$000's)
Paid by the Company	16	42	26	1,306
Paid by subsidiaries	8	23	3	99

Four officers and three former officers were also directors of the Company.

9. Anti-Inflation Act:

The Company and its Canadian subsidiaries are subject to, and believe they have complied with, controls on profit margins, compensation and dividends under the Anti-Inflation program.

10. Subsequent Event:

The Company proposes to make a share exchange offer expiring April 15, 1977 to shareholders in Canada of Guaranty Trust Company of Canada (the offeree) on the basis of one common share of the Company and \$9.00 in cash for each three common shares of the offeree acquired.

If accepted by all shareholders the Company would acquire 2,754,002 shares of the offeree in exchange for 918,000 common shares of the Company and \$8,262,006.

Traders Group Limited
and Consolidated Subsidiaries

Notes to the Financial Statements

December 31, 1976

Accounting Practices

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries except Guaranty Trust Company of Canada and the Canadian General Insurance Group because their assets and investments are regulated and are not interchangeable with those of the Company. All subsidiaries are consolidated as of their fiscal year-end of December 31, except for the Land Development companies whose fiscal year-ends are November 30.

Associated Companies

The Company and certain subsidiaries hold up to 50% of the equity shares in a number of associated companies. The investments in associated companies are carried at cost plus excess of earnings over dividends received from date of acquisition. Income pertaining to these investments is accounted for on an equity basis.

Foreign Exchange

Foreign currency receivables and debt of the Company due within one year are translated to Canadian dollars at either the exchange rate at balance sheet date or at forward contract rates where such contracts have been made. Foreign currency receivables and debt of the Company due beyond one year are included in the consolidated financial statements at the Canadian dollar amount received at date of issue.

Foreign cash balances of the Company are translated to Canadian dollars at the exchange rate at balance sheet date.

The financial statements of foreign subsidiaries have been translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Realized gains or losses arising from market exchange fluctuations are reflected in current operations, while those arising from revaluation of currencies are recorded as extraordinary items.

Unearned and Deferred Income

Unearned income on lease contracts and certain long term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method. Land Development subsidiaries defer gross margins on land sales until at least 15% of the sale price has been received in cash.

Land Inventories of Subsidiaries

Land development and carrying costs are accumulated in the carrying value of land and charged against income proportionate to the sales to date of each development. Land is carried at development cost to date, but not in excess of estimated market value.

Principal Subsidiary Companies

(December 31, 1976)

Consolidated Subsidiaries:

FINANCE GROUP

	Effective % held by Traders	Investment at cost and advances from Traders (\$000's)
Trans Canada Credit Corporation Limited	100.0%	\$ 13,360
Traders Homeplan Limited and subsidiaries	99.9	152,122
Traders Realty Limited	100.0	11,911
Traders Finance Corporation (1966) Limited	100.0	1,124
Aetna Factors Corporation Ltd. and subsidiaries	60.0	6,615
Traders Finance S.A. and subsidiaries	100.0	8,409
Traders Finance Corporation (1976) Limited	100.0	6,642*

LAND DEVELOPMENT

Forest Glenn (Dixie) Limited and subsidiaries	100.0	**
Traders Developments Limited and subsidiaries	100.0	**

Subsidiaries not consolidated:

Canadian General Insurance Group	97.8	2,730
Guaranty Trust Company of Canada	58.7	36,352

* After elimination of \$28,049 inter-company holdings.

** Cost of investment less than one thousand dollars.

Secured Debt (\$'000's)

The senior secured notes of the Company are secured by a first specific charge on finance receivables and eligible securities, a first floating charge on the undertaking and certain other property and assets of the Company and protected by operating restrictions provided in borrowing agreements.

Traders Group Limited
and Consolidated Subsidiaries

Capitalization

December 31, 1976

	Due within one year	Due beyond one year	Total
Traders Group Limited			
SENIOR SECURED DEBT			
Short term notes:			
—in Canadian funds.....	\$138,834		\$138,834
—in U.S. funds at current and forward exchange rates.....	62,069		62,069
	200,903		200,903
Medium term maturing 1977 to 1981	74,283	\$ 8,495	82,778
Long term.....	17,531	221,187	238,718
	91,814	229,682	321,496
OTHER SECURED DEBT.....	1,379	23,447	24,826
TOTAL SECURED DEBT.....	\$294,096	\$253,129	\$547,225

MEDIUM TERM NOTES MATURE IN

1977.....	\$74,283
1978.....	7,705
1979.....	753
1980.....	25
1981.....	12
	<u>\$82,778</u>

LONG TERM SENIOR SECURED NOTES

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
5 ³ / ₈ % V	May 1, 1977	—	\$10,000 U.S.	\$10,106
5 ³ / ₄ % X	April 1, 1979	—	7,500	7,500
6 ³ / ₄ % AF	June 15, 1981	\$250	10,000	7,512
5 ³ / ₄ % Y	September 15, 1981	375	15,000	10,709
9 ³ / ₄ % AS	March 15, 1982	1,313	25,000	23,500
5 ³ / ₄ % Z	April 15, 1983	250	10,000	8,250
5 ¹ / ₄ % AA	May 15, 1983	253	10,000 U.S.	9,677
5 ³ / ₄ % AB	May 1, 1984	250	10,000	7,915
5 ³ / ₄ % AC	September 15, 1984	375	15,000	10,728
5 ³ / ₄ % AD	April 15, 1985	375	15,000	11,446
6 ¹ / ₄ % AE	April 1, 1986	—	12,500 U.S.	13,457
7 ³ / ₄ % AH	December 1, 1986	79	3,150	2,448
7 ¹ / ₄ % AI	July 1, 1987	—	17,700 U.S.	19,034

Capitalization (continued)

December 31, 1976

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
7¾% AJ	September 15, 1987	\$ 125	\$ 5,000	\$ 4,001
8% AK	December 1, 1988	780	15,450 U.S.	14,505
8¾% AL	December 15, 1988	8	306	290
9¾% AM	December 15, 1989	29	1,165	1,141
9½% AN	May 15, 1990	5	215	214
10½% AO	October 15, 1990	923	14,600 U.S.	13,430
9% AP	February 15, 1991	625	25,000	23,016
10⅞% AR	March 15, 1991	1,010	20,000 U.S.	19,839
11¼% AQ	January 6, 1995(i)	400	20,000	20,000
		<u>\$ 7,425</u>		<u>\$238,718</u>

(i) The holders of Series AQ Notes maturing January 6, 1995 have the right to elect pre-payment on January 6, 1982. Such election may be made only after July 1, 1981 and prior to December 4, 1981.

OTHER SECURED DEBT

The Company has obligations of \$24.8 million secured on real and other property, bearing current interest rates from 7.25% to 10.25% and payable from 1977 through 1990.

Unsecured Debt (\$000's)

DEBENTURES

Series	Maturity dates	Annual sinking fund or maximum annual purchase fund	Issued	Outstanding
9¾%	November 2, 1980	\$ 72	\$ 2,416	\$ 2,344
6%	October 15, 1982	225	7,500	5,148
6%	November 1, 1984	180	6,000	4,430
6%	June 1, 1985	120	4,000	3,024
11¼%	June 15, 1990(i)	250	12,500	12,500
11½%	November 1, 1990(i)	600	20,000	20,000
10¾%	April 15, 1991(i)	300	10,000	10,000
9½%	June 15, 1991	106	3,527	3,527
8¾%	October 15, 1992(i)	—	12,500	12,500
8¾%	May 1, 1993	375	12,500	11,374
9%	October 15, 1993	375	12,500	11,378
		<u>\$2,603</u>		<u>\$96,225</u>

(i) The holders of the following series have the right to elect that the Company shall pay such debentures at the early maturity date indicated below:

Series	After	Prior to	Early maturity date
11 1/4 % June 15, 1990	December 15, 1979	May 15, 1980	June 15, 1980
11 1/2 % November 1, 1990	May 15, 1980	October 15, 1980	November 15, 1980
8 3/4 % October 15, 1992	October 15, 1981	April 15, 1982	October 15, 1982
10 3/4 % April 15, 1991	October 15, 1982	March 15, 1983	April 15, 1983

A purchase fund will apply to the 8 3/4 % debentures outstanding after October 15, 1982.

DEBT OF SUBSIDIARIES (\$000's)

Bearing current interest rates from 6.00% to 11.25% and maturing from 1977 to 2001

	Due within one year	Due beyond one year	Total
Finance subsidiaries			
Canada	\$12,574	\$ 4,183	\$16,757
International	7,873	195	8,068
	<u>20,447</u>	<u>4,378</u>	<u>24,825</u>
Other subsidiaries	5,062	3,453	8,515
	<u>\$25,509</u>	<u>\$ 7,831</u>	<u>\$33,340</u>

Share Capital

CUMULATIVE REDEEMABLE PREFERRED SHARES

	Authorized		Issued and outstanding	
	Shares	Amount (\$000's)	Shares	Amount (\$000's)
4 1/2 %, par value \$100	35,000	\$ 3,500	35,000	\$ 3,500
Less: held by subsidiaries			5,135	513
			<u>29,865</u>	<u>2,987</u>
5%, par value \$40	29,149	1,166	<u>29,149</u>	<u>1,166</u>
Shares issuable in series,				
par value \$30	351,917	10,558		
Series A, 5%			75,203	2,256
Less: cancelled by purchase during 1976			8,177	245
			<u>67,026</u>	<u>2,011</u>
Series B, \$2.16			215,542	6,466
Less: cancelled by purchase during 1976			6,603	198
			<u>208,939</u>	<u>6,268</u>
Shares issuable in series,				
par value \$10	5,000,000	50,000		
10 1/4 % preferred shares			<u>749,500</u>	<u>7,495</u>
7.5%, par value \$50	331,100	16,555	<u>330,359</u>	<u>16,518</u>
Less: cancelled by purchase during 1976			3,701	185
			<u>326,658</u>	<u>16,333</u>
				<u>\$36,260</u>

The terms of issue of Series A, Series B, 10 1/4 % and 7.5% preferred shares include provisions by which the Company is to provide (subject to certain conditions) the following purchase fund for the purchase and cancellation of these preferred shares:

Capitalization

(concluded)

	Maximum purchase price per share	Annual purchase fund (\$000's)
Series A	\$28	\$ 210
Series B	30	150
10 1/4 % shares	10	750
7 5/8 % shares	50	332
		<u>\$1,442</u>

COMMON SHARES WITHOUT NOMINAL OR PAR VALUE

	Authorized	Issued and outstanding	
		Shares	Amount (\$000's)
Class A	10,000,000	5,493,918	\$49,026
Add: issued on exercise of share purchase warrants		172,307	2,241
		5,666,225	51,267
Class B	720,000	720,000	480
		6,386,225	<u>\$51,747</u>
Less—elimination of shares held directly and indirectly through a subsidiary(i)		2,142,969	
Common shares effectively outstanding		<u>4,243,256</u>	

249,520 Class A common shares were reserved for issue at December 31, 1976 on exercise of share purchase warrants issued in 1969 to Series B preferred shareholders. These warrants have an exercise price of \$13 and expire on October 31, 1979. If imputed earnings on the proceeds from exercise of these warrants were calculated at the average rate of return for the period on actual outstanding equity, the dilution from actual earnings per share would have been insignificant.

(i) The common shares of Traders Group Limited held directly and indirectly by a subsidiary and the portion eliminated on consolidation are as follows:

	Common Shares		Total
	Class A	Class B	
Indirect holding	275,080	582,794	857,874
Applicable to subsidiary	182,426	386,494	568,920
Direct holding	1,484,659	89,390	1,574,049
Total shares eliminated on consolidation	<u>1,667,085</u>	<u>475,884</u>	<u>2,142,969</u>
Cost of shares eliminated on consolidation			<u>\$28,049,000</u>

To the Shareholders of Traders Group Limited:

We have examined the balance sheet of Traders Group Limited and consolidated subsidiaries as at December 31, 1976 and the statements of net income, surplus and changes in financial position for the year then ended. Our examination of Traders Group Limited and the subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of Aetna Factors Corporation Ltd. and subsidiaries. The assets of these companies, as included

in the consolidated balance sheet amounted to 5.2% of the total consolidated assets.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1976 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants
Toronto, Canada

Auditors' Report

February 11, 1977

Accounting Practices

Accounting practices with respect to the principles of consolidation, associated companies, foreign exchange, unearned and deferred income and land inventories of subsidiaries are presented as an integral part of the consolidated financial statements.

Lending Policy

Loan applications are subject to prudent credit policies. Specific credit granting authority is assigned to management according to the portfolio, position, experience and proven capabilities. The larger the transaction, the more senior the level of management authorized to grant approval. All transactions exceeding \$1 million must be approved by the Executive Committee of the Board of Directors. Aetna transactions over \$1 million are approved by Aetna's Board of Directors. The company has a policy not to provide financing to any concerns in which its officers, directors, major stockholders, or their families have a material beneficial interest.

Rewrites and Extensions

A rewrite, or a renewal, is a change in both the maturity of the account and the amount of the instalments. New documentation is completed with the customer and the appropriate guarantors.

An extension is the deferment of an instalment to a later date, to accommodate a temporary financial problem of the customer.

A renewal or an extension may be allowed only if the customer's situation has changed significantly, and if his current credit position justifies such a change.

Extensions and renewals are carefully monitored by divisional management to ensure that they are only used to allow customers with changed financial conditions to keep their commitments.

Delinquencies

For statistical purposes, a delinquent account is one on which an entire instalment is past due, and the unpaid amount has been outstanding for 30 days or more.

Policies and Practices

Policies and Practices

(concluded)

For collateral valuations, the balances of all accounts with instalments past due 90 days or more, plus the instalments one day or more past due of all other accounts, are deducted from the valuation.

Write-offs of Finance Receivables

Credit losses are written-off monthly, as soon as identified, after all reasonable effort has been made to effect recovery from the obligant, collateral, or guarantor.

In addition, direct cash loans are written-off if no instalment has been received for six months; consumer financing receivables are written-off if no instalment has been received for nine months; residential mortgages are written-off if no instalment has been received for twelve months. Discretionary power is afforded divisional management for accounts on which collectability is imminent or security is yet to be realized in the case of mortgages.

Allowance for Credit Losses

The allowance for credit losses is established as the result of regular detailed

analyses of individual delinquent accounts. In addition to specific reserves, a general reserve is established based on a percentage of outstandings determined by the characteristics of the particular class of receivables, past write-off experience, and other related considerations. The Company's auditors review these analyses.

Traders Pension Plan

Traders has operated an employee pension plan for 34 years. The plan is contributory, providing for normal retirement at age 65, and voluntary retirement without penalty at age 62. Pension benefits are based upon an employee's final five year average earnings. The employee's contributions were supplemented by Company contributions of \$580,000 in 1976 and \$540,000 in 1975 to keep the plan fully funded, based on current actuarial valuations.

The Traders Pension Fund, not reflected in the consolidated financial statements, is administered by Trustees on behalf of members of the plan.

Personnel

	1976	1975	1974	1973	1972
Finance	1,483	1,543	1,519	1,632	1,615
Land Development	16	19	9	7	3
	1,499	1,562	1,528	1,639	1,618
Insurance	437	397	425	422	425
Guaranty Trust	1,076	1,053	1,026	1,054	915
	3,012	3,012	2,979	3,115	2,958

Branch Locations

	Personal Financial Services	Business Financial Services	Can. Gen. Insurance Group	Guaranty Trust Company	Total
British Columbia	14	2	—	4	20
Yukon	1	—	—	—	1
Alberta	14	3	—	5	22
Saskatchewan	5	—	—	3	8
Manitoba	4	1	1	1	7
Ontario	61	6	8	47	122
Quebec	32	4	1	2	39
New Brunswick	12	1	1	—	14
Nova Scotia	22	1	1	—	24
Prince Edward Island ...	2	—	1	—	3
Newfoundland	7	—	1	—	8
	174	18	14	62	268

Guaranty Trust Company of Canada

Net operating profit, before net gain on the sale of investments, was \$1,887,000; this represents an increase of \$86,000 over 1975.

Traders share of the net income of Guaranty Trust Company of Canada amounted to \$1,150,000 compared with \$1,102,000 the previous year.

Total assets under administration reached a new high, exceeding two billion dollars.

Mortgage volume amounted to \$140 million; that is, almost double the volume of 1975. Over 90 per cent of the \$818 million mortgage portfolio is invested in housing for Canadians.

Increased lending was made in one, two and three year term mortgages as well as in the traditional five year term. These advances were matched against guaranteed investment certificate funds of similar terms.

To accommodate the anticipated increase in mortgage lending business in the next few years, Regional Mortgage Managers were appointed in various parts of the country to provide prompt, better informed service consistent with local conditions and needs.

Continued growth in consumer loans resulted in an increase of \$31 million, a 54 per cent increase. To facilitate the expected growth in this portfolio, Regional Loan Managers have been appointed.

Corporate loans increased to \$26 million from \$19 million a year earlier.

Total deposits increased by \$131 million largely resulting from the successful marketing of Guaranteed Investment Certificates which experienced a growth of \$100 million for the year.

Although higher interest rates prevailed during the year and operating expense increased, these were offset by a modest increase in the investment spread and a 15 per cent gain in total revenue.

An independent evaluation of pooled pension fund performance established that for the one, three, five and ten year periods ended December 31, 1976 Guaranty's fund was the Canadian leader on either a lump sum or monthly deposit basis.

A custom designed stock transfer system, now fully operative in Toronto, will be introduced in 1977 to other Canadian cities with stock exchange facilities. This mini computer-based, on-line system is considered the most advanced in North America. It is designed to provide a range of features and quality of service not available elsewhere.

In July 1976, Mr. Henry E. Dynes, Chairman and Chief Executive Officer of Traders Group Limited, was elected Chairman of the Board of Guaranty Trust.

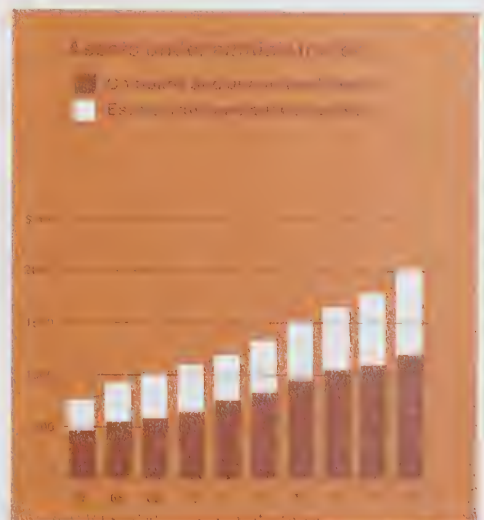
On February 17, 1977, Traders announced its intention to make a cash and share exchange offer to all shareholders of Guaranty Trust Company of Canada, excluding those resident in the United States, its territories and possessions, the details of which are to be found in the Chairman's Report to the Shareholders.

Substantial improvement has been made in the past two years in the matching of maturities of assets and liabilities. This continuing policy will decrease the Company's former sensitivity to interest rate changes.

In management's opinion, 1977 should show satisfactory profit improvement.



A.R. MARCHMENT
President and Chief Executive Officer
Guaranty Trust Company of Canada



Guaranty Trust Company of Canada

		December 31	
		1976	1975
BALANCE SHEET (\$'000's)			
Assets			
INVESTMENTS			
Cash and bank deposit receipts	\$ 98,246	\$ 73,034	
Securities and loan income due and accrued	11,742	9,218	
Collateral loans to investment dealers	8,910	10,880	
Securities (Note 2)	158,847	151,936	
Loans:			
Consumer	88,301	57,439	
Corporate	26,483	19,306	
Mortgages	817,832	748,132	
	932,616	824,877	
Other investments	4,312	4,937	
	<u>1,214,673</u>	<u>1,074,882</u>	
OTHER ASSETS			
Premises, leasehold improvements and equipment, at cost less accumulated depreciation and amortization of \$5,190 (1975—\$4,787)	6,370	5,737	
Accounts receivable and other assets	7,265	5,560	
	<u>\$1,228,308</u>	<u>\$1,086,179</u>	
Liabilities and Shareholders' Equity			
LIABILITIES			
Guaranteed Trust Account (Note 3):			
Savings and chequing accounts	\$ 282,915	\$ 271,154	
Guaranteed Investment Certificates	789,466	689,483	
Time Deposits	61,812	42,388	
Interest accrued and other payables	24,693	21,306	
	<u>1,158,886</u>	<u>1,024,331</u>	
Other liabilities	1,218	740	
Deferred income taxes	2,591	2,059	
Subordinated shareholder loans (Note 4)	8,050	7,950	
SHAREHOLDERS' EQUITY			
Capital Stock:			
Authorized:			
—1,250,000 Preference Shares of \$20 par value			
—10,000,000 Common Shares of \$2 par value			
Issued and fully paid:—6,666,600 Common Shares (1975—5,555,500 shares) (Note 5)	13,333	11,111	
General reserve	39,618	36,361	
Retained earnings	4,612	3,627	
	<u>57,563</u>	<u>51,099</u>	
	<u>\$1,228,308</u>	<u>\$1,086,179</u>	

STATEMENT OF REVENUE AND EXPENSE (\$000's)

	Year ended December 31	
	1976	1975
REVENUE		
Interest from mortgages and other loans	\$ 83,210	\$ 74,100
Interest and dividends from securities and bank deposit receipts	18,856	14,706
Real estate fees and commissions	3,631	2,661
Other fees and commissions	9,448	8,700
	<u>115,145</u>	<u>100,167</u>
EXPENSE		
Interest on deposits and subordinated shareholder loans	88,355	76,930
Salaries and staff benefits	12,381	11,009
Premises including depreciation and amortization of \$469 (1975—\$549)	2,509	1,938
Real estate commissions paid	2,710	2,000
Other operating expenses	6,759	5,870
	<u>112,714</u>	<u>97,747</u>
Operating profit before taxes	2,431	2,420
Income tax provision		
Deferred	544	619
Net operating profit	1,887	1,801
Net gain on investments less applicable income taxes	76	62
Net profit for the year	<u>\$ 1,963</u>	<u>\$ 1,863</u>
Earnings per share*		
Net operating profit	\$ 0.31	\$ 0.33
Net gain on investments	0.01	0.01
Net profit for the year	<u>\$ 0.32</u>	<u>\$ 0.34</u>
*Based on weighted average shares outstanding	6,111,050	5,490,721

STATEMENT OF RETAINED EARNINGS (\$000's)

	Year ended December 31	
	1976	1975
Balance at beginning of the year	\$ 3,627	\$ 2,208
Net profit for the year	1,963	1,863
	<u>5,590</u>	<u>4,071</u>
Deduct—		
Dividends (1976—16¢ per share; 1975—8¢ per share)	978	444
Balance at end of the year	<u>\$ 4,612</u>	<u>\$ 3,627</u>

STATEMENT OF GENERAL RESERVE (\$000's)

	Year ended December 31	
	1976	1975
Balance at beginning of the year	\$ 36,361	\$ 36,000
Net proceeds in excess of par value of common shares issued (Note 5)	3,257	361
Balance at end of the year, including contributed surplus of \$25,741 (1975—\$22,484)	<u>\$ 39,618</u>	<u>\$ 36,361</u>

NOTES TO GUARANTY TRUST FINANCIAL STATEMENTS

December 31, 1976

1. Summary of Accounting Policies:

These financial statements comply with all disclosure requirements of the Trust Companies Act (Canada). The significant

accounting policies are in the "Summary of Accounting Policies" which is an integral part of these financial statements.

2. Securities: (\$000's)

	1976	1975
Government of Canada and Provinces of Canada	\$ 70,421	\$ 70,422
Corporate notes	30,619	31,107
Other securities:		
Municipal	3,009	3,192
Corporation bonds and debentures	29,981	30,359
Stocks	24,817	16,856
(Market value 1976—\$53,286; 1975—\$43,418)	57,807	50,407
	<u>\$ 158,847</u>	<u>\$ 151,936</u>

3. Assets held for Guaranteed Trust Account (\$000's)

	1976	1975
Cash and bank deposit receipts	\$ 80,052	\$ 52,707
Securities	124,216	124,258
Mortgages	817,832	748,132
Other loans	121,714	86,635
Accrued interest and other	15,072	12,599
	<u>\$1,158,886</u>	<u>\$1,024,331</u>

4. Subordinated Shareholder Loans:

This comprises:

(a) A loan of \$5,050,000 (U.S. \$5,000,000) payable to National Bank of Detroit, parent company of International Bank of Detroit, a major shareholder. The loan is interest bearing and repayable on January 31, 1978 and the proceeds of the loan are held in a U.S. dollar bank deposit receipt.

(b) A loan of \$3,000,000 payable to Traders Group Limited, the parent company. The loan is interest bearing and repayable on or before December 30, 1980.

5. Common Shares Issued:

On June 30, 1976 the Company issued 1,111,100 common shares for a total cash consideration of \$5,555,500.

6. Anti-Inflation Act:

The Company is subject to, and believes it has complied with, controls on profit margins, compensation and dividends under the anti-inflation program.

SUMMARY OF ACCOUNTING POLICIES

The Company follows accounting policies common to trust companies. The significant policies are as follows:

(A) Investments:

Securities are stated at amortized cost except for corporate notes and stocks which are stated at cost. Loans secured by mortgage are stated at cost less any provision for losses which management considers necessary in the circumstances. Other investments are stated at cost.

Income is recorded on an accrual basis. Discounts or premiums on the purchase of government bonds are amortized on a yield to maturity basis. Discounts or premiums on other bonds and loans are amortized on a straight-line basis over the term to maturity.

Realized gains or losses on investments are included in the statement of revenue and expense.

(B) Revenue from Fees and Commissions:

The Company follows accrual accounting for all corporate services it provides including the stock transfer agency business. Accrual accounting is also followed for most fees arising from the estate, trust and agency business.

(C) Depreciation and Amortization:

Depreciation is computed by the reducing balance basis on buildings at 5% and equipment at 20%. Amortization of leasehold improvements is computed by the straight-line method over the life of the lease plus the first renewal period.

(D) Income Tax:

Income taxes are provided on the tax allocation basis which relates income taxes to the accounting income for the year. The Company's income tax provisions are lower than the prevailing corporate tax rate because of the amount of tax-free dividend income it received.

AUDITORS' REPORT

To the Shareholders of
Guaranty Trust Company of Canada

We have examined the balance sheet of Guaranty Trust Company of Canada as at December 31, 1976 and the statements of revenue and expense, retained earnings and general reserve for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

February 1, 1977

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and changes in general reserve for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants
Toronto, Canada

Canadian General Insurance Group

Traders share of the Canadian General Insurance Group's earnings for the year was \$2.1 million, an increase of 52 per cent over 1975. In addition an extraordinary gain of \$296,000 was realized in 1976 from tax losses carried forward.

This satisfactory profit improvement was largely the result of a substantial increase in net premiums written which grew to \$58.1 million in 1976, an increase of 39 per cent over 1975. General insurance business showed a \$14.8 million increase in net premiums written and the life and disability net premiums rose by \$1.7 million.

The substantial increase in the general insurance business resulted from a combination of an increase in the average premiums per policy as well as growth in the number of policies written. During the year further steps were taken to ensure that all business was written on an "insurance to value" basis and former three year policies which came up for renewal were changed to one year terms. The life company's growth was the result of obtaining a large group account.

The claims ratio improved by 1.8 percentage points with general insurance business achieving a 2.6 percentage point improvement for an earned/loss ratio of 64.2 per cent while the life and disability lines increased 4.7 percentage points to 76.3 per cent. Commissions, premium taxes and general and administrative expenses for the insurance group were higher due to increased business activity. However, in terms of net premiums written the expense ratio showed an improvement of 2 percentage points.

The substantially increased premiums when coupled with higher interest rates which were in effect most of the year, resulted in the investment income showing an increase of 30 per cent to \$5.2 million.



R.E. BETHELL
President
Canadian General Insurance Company



Canadian General Insurance Group

SUMMARY OF ASSETS AND LIABILITIES (\$000's)

	December 31	
	1976	1975
ASSETS		
Cash	\$ 2,869	\$ 5,158
Bonds (market value 1976—\$44,601; 1975—\$32,387)	47,585	37,651
Stocks (market value 1976—\$10,759; 1975—\$ 8,460)	12,098	10,796
Mortgages	17,747	11,816
Agents' balances	8,867	6,334
Other receivables	2,306	1,636
Fixed Assets, at cost less depreciation	2,154	2,119
	\$ 93,626	\$ 75,510
LIABILITIES		
Payables	\$ 5,545	\$ 6,153
Claims in course of settlement	38,831	30,306
Mortgages payable	631	753
Income taxes (current and deferred)	3,497	1,430
Unearned insurance premiums	22,320	16,577
Minority interest	619	649
Traders investment, at equity value	22,183	19,642
	\$ 93,626	\$ 75,510

SUMMARY STATEMENT OF INCOME (\$000's)

	Year ended December 31	
	1976	1975
Gross premiums written	\$ 64,582	\$ 48,480
Reinsurance ceded	(6,488)	(6,856)
Change in unearned premium reserve	(6,039)	(1,122)
Net premiums earned	52,055	40,502
Claims	34,153	27,288
Commissions and premium taxes	11,147	7,976
General and administrative expenses	7,581	6,341
	52,881	41,605
Net underwriting loss	(826)	(1,103)
Investment income	5,242	4,043
Loss on sale of securities	(352)	(302)
	4,064	2,638
Income taxes	1,864	1,163
Net income before minority interest	2,200	1,475
Minority interest and consolidating adjustments	(60)	(70)
Net contribution to Traders, before extraordinary item	2,140	1,405
Extraordinary item: Income taxes realized on the carry forward of past losses	296	47
	\$ 2,436	\$ 1,452

STATISTICS

General Insurance

Net premiums earned (\$000's)	\$ 46,194	\$ 35,765
Claims to premiums earned	64.2%	66.8%
Other expenses to net premiums written	32.8	35.0
Combined ratio	97.0%	101.8%

Life and Disability Insurance

Life insurance in force (\$000's)	\$510,581	\$398,112
Net premiums earned (\$000's)	5,861	4,737

Traders Group Limited

Directors and Officers

DIRECTORS

G.R. CHATER ✓
President
Grafton Group Limited

H.E. DYNES ✓
Chairman and Chief Executive Officer
Traders Group Limited

E.W. FLANAGAN ✓
President and Chief Operating Officer
Traders Group Limited

R.G. GRAHAM
President
Inter-City Gas Limited

R.O. HEDLIN
Economic Consultant

J.C. LOCKWOOD
Chairman of the Board and President
Carling O'Keefe Limited

G.C. MacDONALD
Chairman of the Board and
Chief Executive Officer
McLeod, Young, Weir & Company Limited

JAMES W. McCUTCHEON, Q.C.
Partner
Shibley, Righton & McCutcheon

D.A. MCINTOSH, Q.C.
Partner
Fraser & Beatty

B.H. RIEGER ✓
Vice President
Canadian Corporate Management
Co. Ltd.

H.C. RYNARD, P. Eng. ✓
President
Acres Consulting Services Limited

R.L. SHEARD, F.I.B.
Financial Consultant

D.I. WEBB, F.C.A. ✓
Financial Consultant

G.E. WHITLEY, Q.C. ✓
Vice President, Secretary and
General Counsel
Traders Group Limited

OFFICERS

H.E. DYNES
*Chairman of the Board and
Chief Executive Officer*

E.W. FLANAGAN
President and Chief Operating Officer

Senior Vice Presidents

G.C. BRAIN, Finance
J.D. DERBYSHIRE
Personal Financial Services
G.D. WALLACE
Business Financial Services
L.C. WRIGHT, C.A., Administration

Vice Presidents

W.C. ATTEWELL, Planning and Analysis
P.D.R. BROWN
International Operations
D.K. CLARKSON, Credit
A.M. CLINE
Personal Financial Services—Central
W.L. COCHRANE
Corporate Loans and Leasing
J.C. HASLER
Business Financial Services
R.J. HEROLD
Advertising and Public Relations
J.G. HUNTER
Personal Financial Services—West
F.P. KEEFE, C.A., Treasurer
A.R. MITCHELL ✓
Personal Financial Services—East
M.E. MURPHY, Information Services
D.F. POLS, C.A., Controller
G.E. WHITLEY, Q.C.
Secretary and General Counsel

Assistant Secretary

J.F. VARCOE
Manager, Legal Department

Assistant Treasurers

A.L. BUTLER
J.F. ELLIS
Manager, Money Market

COMMITTEES

EXECUTIVE COMMITTEE

G.R. Chater, Chairman
H.E. Dynes
E.W. Flanagan
James W. McCutcheon
D.A. McIntosh
B.H. Rieger
R.L. Sheard
D.I. Webb

AUDIT COMMITTEE

R.L. Sheard, Chairman
G.R. Chater
H.E. Dynes
J.C. Lockwood
James W. McCutcheon

FINANCE COMMITTEE

G.C. Brain, Chairman
G.R. Chater
H.E. Dynes
James W. McCutcheon
D.I. Webb
L.C. Wright

SUBSIDIARIES

GUARANTY TRUST COMPANY OF CANADA
Chairman of the Board
H.E. Dynes
President & Chief Executive Officer
A.R. Marchmont, F.C.A., C.P.A.

CANADIAN GENERAL INSURANCE GROUP
Canadian General Insurance Company
Toronto General Insurance Company
Traders General Insurance Company

Chairman
James W. McCutcheon, Q.C.
President
R.E. Bethell

Canadian General Life Insurance Company
Chairman
James W. McCutcheon, Q.C.
President
C.P. Flood

AE TNA FACTORS CORPORATION LTD
President
M. Suhl

Consolidated Ten Year Highlights

(amounts in thousands, except where noted)

	1976	1975
TRADERS GROUP LIMITED		
Net income by source		
Finance	\$ 9,327	\$ 9,279
Guaranty Trust	1,150	1,102
Canadian General Insurance Group	2,140	1,405
Land Development	2,063	1,511
Subsidiary sold in 1971	—	—
	<u>14,680</u>	<u>13,297</u>
Preferred dividends	2,759	2,256
Earnings for common shareholders	<u>11,921</u>	<u>11,041</u>
Extraordinary items	759	479
	<u>\$ 12,680</u>	<u>\$ 11,520</u>
Per common share (dollars)		
Earnings before extraordinary items	\$ 2.86	\$ 2.47
Earnings after extraordinary items	3.05	2.58
Dividends—paid	1.10	1.00
Book value	21.99	20.36
Total assets	1,022,086	1,023,755
Total outstandings	891,546	903,907
Average cost of borrowed money	9.25%	8.60%
Debt to equity ratio (times)	5.2	5.8
Return on average annual assets	1.44%	1.36%
Return on average annual common equity	13.53%	12.91%
Monthly average of common shares outstanding	4,164	4,467
Number of shareholders	15.9	16.7
CANADIAN GENERAL INSURANCE GROUP		
Life insurance in force	\$ 510,581	\$ 398,112
Net premiums earned		
General	46,194	35,765
Life and Disability	5,861	4,737
	<u>52,055</u>	<u>40,502</u>
Net contribution to Traders		
General	1,725	975
Life and Disability (acquired in 1972)	415	430
	<u>2,140</u>	<u>1,405</u>
Ratios		
Claims to premiums earned	64.2%	66.8%
Other expenses to net premiums written	32.8	35.0
Combined ratio	<u>97.0%</u>	<u>101.8%</u>
GUARANTY TRUST COMPANY OF CANADA		
Assets under administration		
Company and Guaranteed Funds	\$1,228,308	\$1,086,179
Estates, Trusts and Agency Assets	822,443	712,677
Total assets under administration	<u>2,050,751</u>	<u>1,798,856</u>
Net Income	1,963	1,863
Net contribution to Traders	1,150	1,102

1974	1973	1972	1971	1970	1969	1968	1967
\$ 8,121	\$ 6,470	\$ 6,450	\$ 6,061	\$ 5,542	\$ 4,062	\$ 3,315	\$ 1,736
71	1,448	2,100	1,467	353	353	339	318
281	1,760	1,201	(192)	(853)	989	1,464	1,917
1,687	1,537	843	457	376	329	303	289
—	—	—	113	359	501	545	518
10,160	11,215	10,594	7,906	5,777	6,234	5,966	4,778
1,094	843	879	1,066	1,191	1,015	693	711
9,066	10,372	9,715	6,840	4,586	5,219	5,273	4,067
926	953	—	7,379	—	—	—	—
\$ 9,992	\$ 11,325	\$ 9,715	\$ 14,219	\$ 4,586	\$ 5,219	\$ 5,273	\$ 4,067
\$ 1.81	\$ 2.07	\$ 2.01	\$ 1.50	\$ 1.03	\$ 1.18	\$ 1.19	\$ 0.92
1.99	2.26	2.01	3.11	1.03	1.18	1.19	0.92
1.00	0.85	0.82½	0.60	0.60	0.60	0.60	0.65
17.55	16.13	16.27	15.20	12.00	11.60	11.05	10.40
934,947	913,027	707,980	592,573	569,557	569,355	534,705	521,737
841,257	823,199	628,776	522,652	472,295	482,167	456,200	441,394
9.10%	7.60%	7.00%	7.40%	7.26%	6.98%	6.51%	6.06%
5.9	6.8	5.3	4.8	5.1	5.1	5.5	5.6
1.10%	1.38%	1.63%	1.36%	1.01%	1.13%	1.13%	0.91%
10.72%	12.98%	13.08%	11.10%	8.57%	9.84%	10.30%	8.24%
5,021	5,021	4,828	4,571	4,441	4,433	4,433	4,420
9.8	8.6	9.1	9.9	10.4	18.3	17.7	18.6
\$ 361,620	\$ 102,985	\$ 120,331	\$ 106,382	\$ 78,817	\$ 32,172	\$ 21,531	\$ —
30,274	28,593	27,399	30,136	29,399	28,330	28,602	27,105
4,301	3,484	2,970	2,518	1,872	1,469	1,241	1,032
34,575	32,077	30,369	32,654	31,271	29,799	29,843	28,137
(157)	1,401	1,030	(192)	(853)	989	1,464	1,917
438	359	171	—	—	—	—	—
281	1,760	1,201	(192)	(853)	989	1,464	1,917
71.8%	65.0%	67.1%	76.3%	75.4%	63.8%	60.7%	56.5%
38.6	37.0	38.2	41.6	38.2	38.2	37.4	36.2
110.4%	102.0%	105.3%	117.9%	113.6%	102.0%	98.1%	92.7%
\$1,034,722	\$ 953,188	\$ 793,046	\$ 760,737	\$ 648,059	\$ 619,558	\$ 533,692	\$ 483,883
629,000	579,595	551,747	480,759	429,709	393,919	351,210	295,253
1,663,722	1,532,783	1,344,793	1,241,496	1,077,768	1,013,477	884,902	779,136
140	3,515	5,382	3,822	2,017	2,788	2,943	2,800
71	1,448	2,100	1,467	353	353	339	318

Head Office

625 Church Street
Toronto, Ontario
M4Y 2G1

Assistant Vice President

C.D. CHABOT
Credit

Zone Offices

BUSINESS FINANCIAL SERVICES

Assistant Vice Presidents

A.B. DUFF
7031 Westminister Highway
Suite 306
Richmond, B.C.
J.S. RIDOUT
Suite 200, Nestlé Building
1185 Eglinton Ave. E.
Don Mills, Ontario
M3C 3C7

G.H. DESROSIERS
6600 Trans Canada Highway
Commerce Centre, Suite 512
Pointe Claire, P.Q.
H9R 1C2

PERSONAL FINANCIAL SERVICES

Assistant Vice Presidents

R.S. CAMPBELL
1281 Georgia St. W., Suite 605
Vancouver, B.C.
V6E 3J7

G.W. ALDRIDGE
12316 Jasper Ave.
Edmonton, Alberta
T5N 3K5

R.S.B. BARLOW
625 Church Street
Toronto, Ontario
M4Y 2G1

E.H. LLEWELLYN
625 Church Street
Toronto, Ontario
M4Y 2G1

J.E. VanLEEuwEN
625 Church Street
Toronto, Ontario
M4Y 2G1

P. GOSSELIN

1 Place du Commerce, Suite 410
Nun's Island
Montreal, P.Q.
H3E 1A2

L.M. LEVASSEUR

Edifice Bois-Fontaine, Suite 840
880 Chemin Ste-Foy
Quebec, P.Q.
G1S 2L2

R.J. McNEIL

1234 Main Street
Moncton, N.B.
E1C 1H7

R.A. WILSON

6080 Young Street, Suite 707
Halifax, Nova Scotia
B3K 5L2

Auditors

Price Waterhouse & Co.
Chartered Accountants
Toronto, Ontario

Stock Exchange Listings

(Symbol: TG)

Toronto Stock Exchange: Class A & B common,
preferred, warrants
Montreal Stock Exchange: Class A & B common
Vancouver Stock Exchange: Class A & B common

Share Transfer Agents and Registrars

Guaranty Trust Company of Canada
Toronto, Montreal, Winnipeg,
Calgary, Vancouver
Bank of Montreal Trust Company
New York, N.Y.

Trustees

Senior Secured Debt—
The Royal Trust Company
Toronto, Ontario

Debentures—
The Canada Trust Company
Toronto, Ontario

Bankers

IN CANADA (10)

Bank of British Columbia
Bank of Montreal
Bank Canadian National
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Mercantile Bank of Canada
The Provincial Bank of Canada
The Royal Bank of Canada
The Toronto-Dominion Bank
Unity Bank of Canada

IN THE UNITED STATES OF AMERICA (24)

Bank of America
Bankers Trust Company
Chemical Bank
Citibank, N.A.
Continental Illinois National Bank and
Trust Company of Chicago
Crocker National Bank
Harris Trust and Savings Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank
Mellon Bank, N.A.
National Bank of Detroit
New Jersey Bank, National Association
Seattle-First National Bank
Security Pacific National Bank
Swiss Bank Corporation
The Chase Manhattan Bank, National
Association
The Cleveland Trust Company
The First National Bank of Boston
The First National Bank of Chicago
Union Bank
United California Bank
Wells Fargo, National Association

IN EUROPE (2)

Western American Bank (Europe) Limited
International Commercial Bank Limited

A collage of various images including a person, a building, a ship, and a plane, with the text 'Guaranty Trust' and a phone number '22554698888'. The collage is composed of several rectangular and irregularly shaped photographs arranged in a grid-like fashion. The images include a person in a dark setting, a large building with many windows, a ship on the water, and a plane in flight. The text 'Guaranty Trust' is visible in the bottom right corner, and the phone number '22554698888' is in the top left corner. The overall color scheme is a mix of sepia and dark tones.



AR09

TRADERS
GROUP LIMITED

2 SECOND QUARTER REPORT JUNE 30, 1976

[illegible]

Chairman's Report to Shareholders

Earnings applicable to common shares for the six months ended June 30, 1976 were \$5,339,000 or \$1.30 per common share compared with \$6,170,000 or \$1.27 per share a year earlier.

Additional earnings of \$728,000 resulted from extraordinary items. The extraordinary gain was \$463,000 in the same period last year.

While profit from finance operations declined in the first six months, significant

profit improvement was recorded by the Canadian General Insurance Group. The contribution from land development operations and Guaranty Trust Company of Canada were maintained at the levels achieved a year earlier.

Although the Company forecasts a satisfactory improvement in consolidated operating profit for the year, some uncertainty will exist until final Anti-Inflation Board regulations are issued and assessed.



Henry E. Dynes
Chairman

August 13, 1976

	Six Months Ended June 30			Three Months Ended June 30		
	1976	1975	% Increase (Decrease)	1976	1975	% Increase (Decrease)
EARNINGS PER COMMON SHARE						
before extraordinary items	\$1.30	\$1.27	2.4%	\$0.74	\$0.83	(10.8)%
after extraordinary items	1.48	1.36	8.8	0.79	\$0.83	(4.8)
DIVIDENDS PER COMMON SHARE						
SHARE	\$0.55	\$0.50	10.0	\$0.27½	\$0.25	10.0
COMMON SHARES						
Monthly average						
outstanding (000's)	4,100	4,863	(15.7)	4,129	4,705	(12.2)
CLASS 'A' MARKET PRICE RANGE						
High	\$ 16	\$ 15½		\$ 15	\$ 15½	
Low	\$ 12¾	\$ 10%		\$ 12¾	\$ 12½	
CLASS 'A' SHARES TRADED						
ON THE TSE (000's)	404	396		192	178	

Highlights

EARNINGS

NET INCOME (\$000's)

	1976 (unaudited)	1975	% increase (decrease)
	Six Months Ended June 30		
Finance	\$ 4,425	\$ 5,522	(19.9)%
Land Development	646	630	2.5
Insurance	1,227	420	192.1
Guaranty Trust	425	472	(10.0)
	<u>6,723</u>	<u>7,044</u>	<u>(4.6)</u>
Preferred Dividends	(1,384)	(874)	58.4
	<u>5,339</u>	<u>6,170</u>	<u>(13.5)</u>
Extraordinary Items	728	463	57.2
	<u>\$ 6,067</u>	<u>\$ 6,633</u>	<u>(8.5)</u>

OPERATING

FINANCE RECEIVABLES ACQUIRED (\$000's)

Direct Cash Loans	\$ 65,695	\$ 68,504	(4.1)
Consumer Retail Notes and Contracts			
Motor Vehicles	47,794	45,464	5.1
Mobile Homes	686	649	5.7
Residential Mortgages and Home Improvements	35,684	20,487	74.2
Miscellaneous	20,754	17,681	17.4
	<u>104,918</u>	<u>84,281</u>	<u>24.5</u>
Commercial Loans and Contracts			
Industrial and Commercial Equipment	54,175	51,312	5.6
Commercial Loans	3,889	5,239	(25.8)
Leasing	6,041	5,435	11.1
Factoring and Commercial Financing	216,353	167,285	29.3
	<u>280,458</u>	<u>229,271</u>	<u>22.3</u>
Wholesale	181,516	173,990	4.3
	<u>\$632,587</u>	<u>\$556,046</u>	<u>13.8</u>

FINANCE RECEIVABLES OUTSTANDING (\$000's)

		June 30	
Direct Cash Loans	\$174,194	\$159,328	9.3
Consumer Retail Notes and Contracts			
Motor Vehicles	109,808	122,343	(10.2)
Mobile Homes	24,473	33,948	(27.9)
Residential Mortgages and Home Improvements	160,554	134,352	19.5
Miscellaneous	33,004	28,532	15.7
	<u>327,839</u>	<u>319,175</u>	<u>2.7</u>
Commercial Loans and Contracts			
Industrial and Commercial Equipment	126,359	121,019	4.4
Commercial Loans	35,218	32,322	9.0
Leasing	113,329	64,182	76.6
Factoring and Commercial Financing	51,571	44,603	15.6
	<u>326,477</u>	<u>262,126</u>	<u>24.5</u>
Wholesale	95,568	90,255	5.9
	<u>\$924,078</u>	<u>\$830,884</u>	<u>11.2</u>

Consolidated Balance Sheet (\$000's)

Assets	June 30 1976	Dec. 31 1975	June 30 1975
	(unaudited)		
CASH	\$ 17,438	\$ 23,663	\$ 19,613
RECEIVABLES:			
Finance, including \$437,153 due within one year (June 30, 1975—\$391,117)			
Consumer	502,033	480,330	478,503
Commercial	326,477	335,522	262,126
Wholesale	95,568	88,055	90,255
	924,078	903,907	830,884
Loans to associated companies	16,942	16,903	16,985
	941,020	920,810	847,869
Less: Allowance for credit losses	20,048	18,147	16,499
	920,972	902,663	831,370
INVESTMENTS:			
Land inventories of subsidiaries, at cost	14,239	12,347	9,883
Investments in associated companies, at equity value, and other investments, at cost	6,563	5,667	5,733
Investment in subsidiaries not consolidated, at equity value—			
Canadian General Insurance Group	21,150	19,642	18,594
Guaranty Trust Company of Canada	36,340	32,922	29,755
Acres Consulting Services Ltd.	—	—	5,989
	78,292	70,578	69,954
OTHER ASSETS:			
Receivables of Land Development subsidiaries and other receivables	16,106	17,727	13,246
Income taxes recoverable	2,484	1,315	—
Fixed assets, at cost less accumulated depreciation of \$4,034 (June 30, 1975—\$3,835)	3,518	3,399	3,432
Unamortized cost of borrowed money	5,076	4,410	4,367
	27,184	26,851	21,045
	\$1,043,886	\$1,023,755	\$941,982

Liabilities	June 30 1976	Dec. 31 1975	June 30 1975
	(unaudited)		
PAYABLES AND ACCRUED CHARGES . . .	\$ 66,718	\$ 69,301	\$ 68,442
DEFERRED CREDITS:			
Unearned finance charges	119,465	122,481	105,783
Deferred gross margin on land sales	—	91	133
Deferred income taxes	25,620	22,520	14,550
	145,085	145,092	120,466
SECURED DEBT OF THE COMPANY:			
Due within one year:			
Short term	249,166	255,834	217,088
Medium and long term	74,363	59,698	43,462
Due beyond one year	257,744	248,374	259,486
	581,273	563,906	520,036
DEBT OF SUBSIDIARIES:			
Due within one year	19,430	24,286	24,137
Due beyond one year	8,434	6,762	8,862
	27,864	31,048	32,999
UNSECURED DEBT OF THE COMPANY:			
Due within one year	2,603	8,663	19,133
Due beyond one year	93,927	85,383	62,639
	96,530	94,046	81,772
MINORITY INTEREST in consolidated subsidiaries	792	598	674
CAPITAL AND SURPLUS:			
Preferred shares	36,623	36,888	37,246
Common shares	51,747	49,506	49,539
Surplus	65,303	61,419	58,857
Elimination of inter-company holdings	(28,049)	(28,049)	(28,049)
	125,624	119,764	117,593
	\$1,043,886	\$1,023,755	\$ 941,982

Condensed Statement of Income (\$000's)

	Six Months Ended June 30	
	1976	1975
	(unaudited)	
Revenues:		
Gross Income from operations	\$68,506	\$59,551
Investment Income	2,035	1,137
	70,541	60,688
Expenses:		
Cost of borrowed funds	31,648	26,027
Provision for credit losses	4,663	3,028
Other direct charges	4,760	2,586
General and administrative expenses	18,004	16,412
	59,075	48,053
Income before income taxes and minority interest	11,466	12,635
Income taxes (current and deferred)	4,635	5,516
Income before minority interest	6,831	7,119
Minority interest	108	75
Net income for the period before extraordinary items	6,723	7,044
Extraordinary items	728	463
	\$ 7,451	\$ 7,507

Condensed Statement of Surplus (\$000's)

	Six Months Ended June 30	
	1976	1975
	(unaudited)	
Balance at beginning of period	\$61,419	\$54,709
Adjustments arising during the period	83	(241)
	61,502	54,468
Net income for the period	7,451	7,507
Less—Dividends on preferred shares	1,384	874
Earnings available for common shares	6,067	6,633
Dividends on common shares	2,266	2,244
Earnings retained during the period	3,801	4,389
Balance at end of period	\$65,303	\$58,857

Condensed Statement of Changes in Financial Position (\$000's)

CHANGES IN CONSOLIDATED ASSETS

	Increase (decrease) Six Months Ended June 30	
	1976	1975
	(unaudited)	
CASH	\$ (6,225)	\$ 3,632
RECEIVABLES (net of unearned finance charges and allowance for credit losses)	21,325	(8,752)
INVESTMENTS	7,714	14,503
OTHER ASSETS	333	1,246
NET INCREASE in consolidated assets	\$ 23,147	\$ 10,629

SOURCES OF FUNDS TO FINANCE THE INCREASE IN CONSOLIDATED ASSETS

DEBT:

Secured	\$ 17,367	\$(11,739)
Debt of subsidiaries	(3,184)	5,310
Unsecured debt of the company	2,484	(2,548)
	16,667	(8,977)

EQUITY:

Share capital	1,976	32,504
Increase in surplus	3,884	4,148
Elimination of inter-company holdings	—	(28,049)
	5,860	8,603

OTHER LIABILITIES AND DEFERRED CREDITS	620	11,003
	\$ 23,147	\$ 10,629

Note:

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries except Guaranty Trust Company of Canada and the Canadian General Insurance Group, because their assets and investments are regulated and are not interchangeable with those of the Company.

All subsidiaries have a fiscal year-end of December 31, except for the Land Development companies, whose fiscal year-ends are November 30. Accordingly, the consolidated financial statements include their accounts as of May 31, 1976 and the results of their operations for the six months then ended.

Land Development

Although Land Development is included in the consolidated financial statements of Traders Group Limited and its consolidated subsidiaries, summary financial statements are shown hereunder:

Summary of Assets and Liabilities (\$000's)	May 31	May 31
	1976	1975
	(unaudited)	
ASSETS:		
Cash	\$ 103	\$ 328
Mortgages receivable	10,729	7,272
Land inventory at development cost	14,239	9,883
Investments in associated companies at equity value	873	1,064
Fixed assets (net of depreciation)	91	39
	<u>\$26,035</u>	<u>\$18,586</u>

LIABILITIES:		
Payables	\$ 2,236	\$ 2,660
Bank loans	2,000	739
Mortgages payable	6,170	2,596
Income taxes (current and deferred)	2,037	1,926
Deferred gross margin on land sales	—	133
Advances from parent and associated companies	8,617	6,278
Traders investment, at equity value	4,975	4,254
	<u>\$26,035</u>	<u>\$18,586</u>

Summary Statement of Income (\$000's)	Six Months Ended	
	May 31	May 31
	1976	1975
	(unaudited)	
Income:		
Land sales	\$ 4,886	\$ 2,795
Deferred on gross margin	—	(133)
Other	348	309
	<u>5,234</u>	<u>2,971</u>
Investments in associated companies	49	222
	<u>5,283</u>	<u>3,193</u>
Expenses:		
Cost of sales	3,715	1,759
General and administrative	333	341
	<u>4,048</u>	<u>2,100</u>
Income before income taxes	1,235	1,093
Income taxes	589	463
Net contribution to Traders	<u>\$ 646</u>	<u>\$ 630</u>

Canadian General Insurance Group

Summary of Assets and Liabilities (\$000's)

	June 30	
	1976	1975
	(unaudited)	
ASSETS:		
Cash	\$ 4,900	\$ 1,930
Investments, at cost	45,027	46,800
Mortgages	16,810	8,652
Agents' balances	9,437	7,978
Other receivables	1,520	1,329
Fixed assets, at cost less depreciation	2,085	2,171
	<u>\$79,779</u>	<u>\$68,860</u>
LIABILITIES:		
Payables	\$ 4,507	\$ 4,598
Claims in course of settlement	32,036	27,740
Mortgages payable	694	811
Income taxes (current and deferred)	1,966	698
Unearned insurance premiums	18,770	15,794
Minority interest	656	625
Traders investment, at equity value	21,150	18,594
	<u>\$79,779</u>	<u>\$68,860</u>

Summary Statement of Income (\$000's)

	Six Months Ended June 30	
	1976	1975
	(unaudited)	
Gross premiums written	\$28,880	\$22,289
Reinsurance ceded	(2,582)	(2,785)
Change in unearned premium reserve	(2,317)	(301)
Net premiums earned	23,981	19,203
Claims	15,418	13,152
Commissions and premium taxes	5,036	3,926
General and administrative expenses	3,513	3,208
	<u>23,967</u>	<u>20,286</u>
Net underwriting gain (loss)	14	(1,083)
Investment income	2,383	1,881
Loss on sale of securities	(78)	(79)
	<u>2,319</u>	<u>719</u>
Income taxes	1,044	285
Net income before minority interests	1,275	434
Minority interests and consolidating adjustments	(48)	(14)
Net contributions to Traders, before extraordinary item	1,227	420
Extraordinary item	265	—
	<u>\$ 1,492</u>	<u>\$ 420</u>

Guaranty Trust Company of Canada

Condensed Summary Statements (\$000's)

	June 30	
	1976	1975
	(unaudited)	
ASSETS:		
Cash, bank deposit receipts and corporate notes	\$ 136,245	\$ 84,701
Bonds and stocks	120,782	123,031
Mortgages	772,465	739,830
Consumer and personal loans	76,296	47,407
Other assets	61,048	48,736
	<u>\$1,166,836</u>	<u>\$1,043,705</u>

LIABILITIES:		
Savings and chequing accounts	\$ 286,125	\$ 276,367
Guaranteed investment certificates	743,482	644,653
Time deposits	48,365	46,430
Other liabilities	31,972	26,366
Shareholders' equity	56,892	49,889
	<u>\$1,166,836</u>	<u>\$1,043,705</u>

	Six Months Ended June 30	
	1976	1975
	(unaudited)	
Condensed Statements of Income		
Revenues:		
Interest from mortgages and other loans	\$ 39,113	\$ 36,407
Interest and dividends from securities and bank deposit receipts	9,220	7,259
Fees and commissions	4,384	4,225
	<u>52,717</u>	<u>47,891</u>
Expenses:		
Interest on deposits	41,973	38,515
Salaries and staff benefits	6,045	5,393
Other expenses	3,907	3,054
	<u>51,925</u>	<u>46,962</u>
Operating profit before taxes	792	929
Income taxes	100	163
Net operating profit for the period	692	766
Net gain on investments, less applicable income taxes	33	26
Net profit for the period	<u>\$ 725</u>	<u>\$ 792</u>
Net contribution to Traders	<u>\$ 425</u>	<u>\$ 472</u>

Dividend Notice

Dividends have been declared as follows for the quarter ending September 30, 1976, payable October 1, 1976, to shareholders of record September 9, 1976.

	Per Share
4½ % Preferred Shares	\$1.12½
5% Preferred Shares	0.50
5% Preferred Shares, Series A	0.37½
\$2.16 Preferred Shares, Series B	0.54
10¼ % Preferred Shares	0.25½
7½ % Preferred Shares	0.93¾
Class A and Class B Common Shares.	\$0.27½

Bankers

In Canada (10)

Bank of British Columbia
Bank of Montreal
Bank Canadian National
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Mercantile Bank of Canada
The Provincial Bank of Canada
The Royal Bank of Canada
The Toronto-Dominion Bank
Unity Bank of Canada

Continental Illinois National Bank and
Trust Company of Chicago
Crocker National Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank
Mellon Bank, N.A.
National Bank of Detroit
New Jersey Bank, National Association
Seattle—First National Bank
Security Pacific National Bank
Swiss Bank Corporation
The Chase Manhattan Bank,
National Association
The Cleveland Trust Company
The First National Bank of Boston
The First National Bank of Chicago
Union Bank
United California Bank
Wells Fargo Bank, National Association

In Europe (2)

Western American Bank (Europe) Limited
International Commercial Bank Limited

In The United States of America (23)

Bank of America
Bankers Trust Company, N.Y.
Chemical Bank
Citibank, N.A.

Bank Credit Lines (\$000's)

	June 30	
	1976	1975
Traders Group Limited	\$311,500	\$228,500
Consolidated Subsidiaries	26,200	29,400
	<u>\$337,700</u>	<u>\$257,900</u>

Traders Group Limited

Personal Financial Services

Personal Loans

Refinancing and Debt Consolidation

Purchase Plans for:

Cars and Trucks

Vacation Homes and Lots

Mobile Homes and Recreational Vehicles

Furniture and Appliances

Home Improvements

First and Second Residential Mortgages

Business Financial Services

Equipment Financing

Leasing

Medium and Long Term Loans for:

Acquisitions

Expansion

Modernization

Cash Flow Improvement

Distributor Capital Loans

Manufacturer Floor Plans

Factoring

Accounts Receivable Financing

Computer Services for:

Receivables

Inventory Control

Commercial Mortgages

Land Development

Canadian General Insurance Group

General Casualty Insurance for

Automobiles and Properties

Surety, Performance and Bid Bonding

Group Life, Sickness and

Accident Insurance

Guaranty Trust Company of Canada

Deposit and Chequing Services

Residential Mortgages and Consumer
Loans

Medium and Long-term Corporate Loans
& Commercial Mortgages

Registered Retirement Savings Plans

Investment and Estate Management

Stock Transfers & Trustee Services

Real Estate Sales and Property
Management



TRADERS
GROUP LIMITED

625 Church Street
Toronto, Ontario M4Y 2G1

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Traders Group Limited

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History

Traders Group Limited was established in Winnipeg, in 1920, as Traders Finance Corporation Limited. The founder was William Watson Evans, a railroad lawyer with extraordinary foresight.

He was impressed by the technique of mass production of automobiles. Evans was even more impressed with the possibilities of the mass market for automobiles. His approach — mass credit through sales financing — turned out to be the key to unlocking the potential of the automobile market.

He set out to provide a complete time-payment credit service to the public, based on two key concepts:

- (1) Most people are honest, they will honor their obligations.
- (2) Future earnings can be used to pay for a major purchase such as an automobile, with the auto serving as the only security.

Traders started business with a staff of five people to finance retail sales of autos and farm equipment. Two years later, the young company opened a branch in Vancouver. Other branches soon followed in London, Toronto and Montreal. From the outset Traders worked closely with Ford Motor Company of Canada Limited, which did so much to pioneer the automobile.

From its beginnings as a financing source for autos and farm equipment, Traders has diversified into financing many types of consumer and commercial durables. Traders now finances merchandise ranging from refrigerators and ranges to aircraft and construction equipment. By the end of 1976 Traders and its subsidiaries had over 3,000 employees and more than 260 locations across Canada.

Financial diversification has always been a characteristic of Traders. In 1928, for example, Traders acquired interests in Canadian General Insurance Company and Toronto General Insurance Company.

The two insurance firms write automobile, general and casualty coverage and Canadian General is a major bonding company. In 1938, Traders acquired Canadian Insurance Shares Ltd., which controls Canadian General and Toronto General.

In 1951, Traders General Insurance Company was formed to serve the Traders automobile dealers. Later, this company was the base from which Traders expanded into national automobile insurance coverage.

At the present time, the Canadian General Insurance Group is one of the largest general insurance carriers in Canada.

During 1972, the group moved into the life and disability insurance field by acquiring Income Disability & Reinsurance Company of Canada. This company specializes in insurance programs for professional groups. It was renamed Canadian General Life Insurance Company and its operations co-ordinated with Canadian General.

In the finance field, Traders established Trans Canada Credit Corporation Limited in 1940 to provide direct cash loans to consumers.

In 1945, Traders was on the threshold of enormous growth, financing the pent-up demand for goods created during six war years. In the 20 years ended 1964, Traders annual business volume grew by 50 times.

The era of the 1960's brought further expansion of financial services in areas complimentary to those already established.

In 1961 for example, Traders acquired its initial holding in Guaranty Trust Company of Canada. In 1973, a majority position was attained and at the end of 1976, Traders held 58.7% of Guaranty's common shares.

In 1962, Traders purchased an interest in Aetna Factors Corporation Ltd., a factoring, accounts receivable and export-import financing firm based in Montreal. Traders currently has a 60% interest in Aetna with the remaining 40% being held by a Canadian chartered bank.

Also, in 1962 Traders acquired Interprovincial Building Credits Ltd. IBC was a unique financial company, providing sales financing to retail lumber and building supply dealers. In 1969, the name was changed to Traders Homeplan Limited, and, in addition to financing home improvements, Traders Homeplan began offering mortgage financing for homes and vacation properties through its subsidiary, Homeplan Realty Limited.

In 1965, a Land Development operation was established to acquire and develop land in suburban areas. Development plans are drawn and approved and roads, lighting, sewers, water and other services installed. Lots are then sold on a ready-to-build basis for homes, apartments, churches, schools and shopping centres.

In 1966, the corporation changed its name to Traders Group Limited, to identify more appropriately the diversified nature of its financing business.

The Company was reorganized into two principal marketing areas. One addresses itself to the needs of the Canadian business community. The other concentrates upon the financial needs of the Canadian public.

Eventually, the two marketing areas were named Traders Business Financial Services and Traders Personal Financial Services. Together, they offer a diversified and wide-ranging complement of financial packages and services.

In 1972, Traders Finance S.A., a wholly-owned subsidiary was incorporated under the laws of Luxembourg, and with its subsidiaries, provides financing and leasing services in international markets.

Growth during the 1960's and early 1970's was extraordinary by any measure. The accumulation of assets perhaps tells the story best.

In 1945, slowed by the war, Traders had assets of \$9.6 million. By 1950, assets had increased to more than \$100 million. In 1964, assets passed the half-billion-dollar mark. In 1975, assets were just over one billion dollars, placing Traders among the largest in the North American sales finance/consumer loan industry.

This very substantial growth in credit use has been accompanied by responsible financial management by both business and individual consumers.

The Porter Royal Commission on Banking and Finance noted that most Canadians "... have made sensible use of instalment and other credit to acquire physical assets that yield them high returns, not only in finance terms, but in terms of convenience and ease of household living."

Statistical History

(000's; December 31)

Year	Total Assets	Shareholders' Equity	Net Income	Common Dividend	Year	Total Assets	Shareholders' Equity	Net Income	Common Dividend
1925	\$ 2,546	\$ 825	\$ 84	\$ —	1950	\$100,092	\$13,299	\$2,481	\$ 553
1926	8,621	2,290	286	—	1951	117,148	14,649	2,205	658
1927	6,115	2,637	276	35	1952	166,025	22,363	3,825	1,031
1928	9,508	2,806	239	35	1953	214,436	25,636	4,466	2,281
1929	14,012	3,737	407	57	1954	196,186	32,523	4,402	2,751
1930	10,178	3,575	327	115	1955	247,819	36,357	4,986	2,930
1931	6,227	3,085	85	—	1956	310,641	38,810	5,396	2,983
1932	2,997	2,751	105	—	1957	323,642	40,700	4,340	3,002
1933	2,847	2,670	97	—	1958	290,283	42,141	4,753	3,009
1934	3,929	2,383	133	—	1959	332,356	43,686	4,781	3,040
1935	6,200	2,543	223	—	1960	351,157	41,921	4,189	3,044
1936	7,917	2,756	347	—	1961	353,987	46,358	5,472	3,254
1937	10,760	2,898	380	—	1962	379,130	48,803	4,644	3,507
1938	13,204	4,276	399	—	1963	432,015	48,864	3,295	3,512
1939	12,951	4,484	400	—	1964	525,505	50,397	5,520	3,515
1940	14,959	4,649	374	—	1965	583,504	63,696	6,012	3,530
1941	16,467	4,112	334	—	1966	523,736	63,353	3,981	3,536
1942	7,498	4,244	300	—	1967	521,737	63,939	4,724	2,652
1943	5,862	4,588	224	—	1968	534,705	66,181	5,619	2,654
1944	5,713	4,676	207	—	1969	569,355	76,150	6,561	2,659
1945	9,673	5,792	393	55	1970	569,557	73,735	5,777	2,665
1946	19,056	5,684	483	55	1971	592,573	84,438	15,285	3,335
1947	38,537	7,138	710	72	1972	707,980	93,089	10,594	3,636
1948	44,715	7,773	1,004	144	1973	913,027	94,837	12,168	4,519
1949	68,781	11,023	1,891	292	1974	934,947	108,990	11,086	5,021
					1975	1,023,755	119,764	13,776	4,380
					1976	1,022,086	129,553	15,439	4,686

Volume of Finance Receivables Acquired

(\$000's; Year ended December 31)

	1976		1975		1974		1973		1972	
Direct cash loans										
Precomputed loans	\$ 125,209*	9.9%	\$ 115,433	9.2%	\$ 118,506	9.3%	\$ 104,774	7.7%	\$ 94,304	8.7%
Interest bearing loans	25,461*	2.0	24,137	1.9	27,279	2.1	32,615	2.4	37,120	3.4
	<u>150,670</u>	<u>11.9</u>	<u>139,570</u>	<u>11.1</u>	<u>145,785</u>	<u>11.4</u>	<u>137,389</u>	<u>10.1</u>	<u>131,424</u>	<u>12.1</u>
Consumer retail notes and contracts										
Automobiles—new	23,189	1.8	29,203	2.3	44,169	3.5	59,411	4.4	45,011	4.2
—used	15,430	1.2	15,807	1.3	22,141	1.7	31,862	2.3	23,870	2.2
Dealer lease financing	6,195	0.5	6,020	0.5	7,274	0.6	8,218	0.6	5,945	0.5
Trucks	41,548	3.3	41,658	3.3	43,483	3.4	53,659	4.0	42,736	4.0
Motor vehicles	86,362	6.8	92,688	7.4	117,067	9.2	153,150	11.3	117,562	10.9
Mobile homes	1,130	0.1	1,200	0.1	8,979	0.7	31,609	2.3	18,890	1.7
Residential mortgages	61,892*	4.9	52,568	4.2	37,014	2.9	85,564	6.3	40,603	3.8
Home improvements	1,102	0.1	1,409	0.1	1,415	0.1	663	0.1	4,342	0.4
Miscellaneous	41,689*	3.3	39,786	3.2	39,136	3.1	36,901	2.7	28,175	2.6
	<u>192,175</u>	<u>15.2</u>	<u>187,651</u>	<u>15.0</u>	<u>203,611</u>	<u>16.0</u>	<u>307,887</u>	<u>22.7</u>	<u>209,572</u>	<u>19.4</u>
Commercial loans and contracts										
Industrial and commercial equipment	101,053	8.0	100,153	8.0	89,985	7.1	88,200	6.5	72,768	6.7
Commercial loans										
Dealer capital loans	840	—	742	—	5,188	0.4	6,164	0.5	1,269	0.1
Other	7,933	0.6	4,949	0.4	16,988	1.3	25,061	1.8	1,085	0.1
Leasing	35,412	2.8	63,022	5.0	5,939	0.5	29,692	2.2	31,702	2.9
Factoring and commercial financing	430,552	34.0	385,901	30.7	330,760	26.0	301,974	22.3	269,094	24.9
	<u>575,790</u>	<u>45.4</u>	<u>554,767</u>	<u>44.1</u>	<u>448,860</u>	<u>35.3</u>	<u>451,091</u>	<u>33.3</u>	<u>375,918</u>	<u>34.7</u>
Wholesale										
Motor vehicles	292,950	23.1	322,643	25.7	412,653	32.4	382,522	28.2	331,272	30.6
Other	55,800	4.4	52,157	4.1	62,973	4.9	76,934	5.7	34,452	3.2
	<u>348,750</u>	<u>27.5</u>	<u>374,800</u>	<u>29.8</u>	<u>475,626</u>	<u>37.3</u>	<u>459,456</u>	<u>33.9</u>	<u>365,724</u>	<u>33.8</u>
Total Volume	<u>\$1,267,385</u>	<u>100.0%</u>	<u>\$1,256,788</u>	<u>100.0%</u>	<u>\$1,273,882</u>	<u>100.0%</u>	<u>\$1,355,823</u>	<u>100.0%</u>	<u>\$1,082,638</u>	<u>100.0%</u>

* Includes \$19,846 acquired on bulk purchase.

Finance Receivables Outstanding

(\$000's; December 31)

	1976		1975		1974		1973		1972	
Direct cash loans										
Precomputed loans	\$147,324	16.5%	\$141,109	15.6%	\$136,535	16.2%	\$115,311	14.0%	\$ 98,703	15.7%
Interest bearing loans	18,903	2.1	18,830	2.1	21,279	2.6	23,947	2.9	26,213	4.2
	<u>166,227</u>	18.6	<u>159,939</u>	17.7	<u>157,814</u>	18.8	<u>139,258</u>	16.9	<u>124,916</u>	19.9
Consumer retail notes and contracts										
Automobiles—new	28,751	3.2	38,355	4.2	51,355	6.1	55,615	6.8	45,769	7.2
—used	14,346	1.6	16,625	1.8	21,005	2.5	24,563	3.0	19,941	3.2
Dealer lease financing	7,140	0.8	7,689	0.9	8,881	1.1	8,308	1.0	7,990	1.3
Trucks	48,999	5.5	53,035	5.9	53,324	6.3	53,569	6.5	48,993	7.8
Motor vehicles	99,236	11.1	115,704	12.8	134,565	16.0	142,055	17.3	122,693	19.5
Mobile homes	20,754	2.3	28,846	3.2	39,423	4.7	44,292	5.4	24,899	4.0
Residential mortgages	154,641	17.3	139,963	15.4	126,116	15.0	121,253	14.7	71,922	11.4
Home improvements	3,845	0.5	5,014	0.6	6,738	0.8	9,348	1.2	18,664	3.0
Miscellaneous	32,603	3.7	30,864	3.4	28,232	3.3	31,682	3.8	18,491	2.9
	<u>311,079</u>	34.9	<u>320,391</u>	35.4	<u>335,074</u>	39.8	<u>348,630</u>	42.4	<u>256,669</u>	40.8
Commercial loans and contracts										
Industrial and commercial equipment ...	115,599	13.0	124,812	13.8	109,417	13.0	96,554	11.7	84,932	13.5
Commercial loans										
Dealer capital loans	3,784	0.4	5,912	0.7	9,133	1.1	11,794	1.4	6,929	1.1
Other	27,608	3.1	30,384	3.4	28,394	3.4	30,751	3.8	11,446	1.8
Leasing	134,695	15.1	115,487	12.8	64,011	7.6	62,857	7.6	37,528	6.0
Factoring and commercial financing	50,220	5.6	58,927	6.5	47,250	5.6	40,294	4.9	40,155	6.4
	<u>331,906</u>	37.2	<u>335,522</u>	37.2	<u>258,205</u>	30.7	<u>242,250</u>	29.4	<u>180,990</u>	28.8
Wholesale										
Automobiles	36,265	4.1	41,386	4.6	45,803	5.4	49,458	6.0	44,125	7.0
Trucks	15,523	1.7	19,900	2.2	21,003	2.5	11,532	1.4	10,216	1.6
Motor vehicles	51,788	5.8	61,286	6.8	66,806	7.9	60,990	7.4	54,341	8.6
Mobile homes	9,715	1.1	7,221	0.7	6,533	0.8	17,927	2.2	6,201	1.0
Other	20,831	2.4	19,548	2.2	16,825	2.0	14,144	1.7	5,659	0.9
	<u>82,334</u>	9.3	<u>88,055</u>	9.7	<u>90,164</u>	10.7	<u>93,061</u>	11.3	<u>66,201</u>	10.5
Total Outstandings	\$891,546	100.0%	\$903,907	100.0%	\$841,257	100.0%	\$823,199	100.0%	\$628,776	100.0%

Analysis of Loss Experience

(\$000's; December 31)

Direct cash loans

	1976	1975	1974	1973	1972
Liquidations	\$ 140,678	\$ 133,750	\$ 125,306	\$ 121,322	\$ 107,522
Notes charged-off	4,232	3,695	1,923	1,725	1,464
Recoveries	528	341	317	299	272
Net losses	3,704	3,354	1,606	1,426	1,192
% to liquidations	2.63%	2.51%	1.28%	1.18%	1.11%
% to average annual outstandings	2.27	2.11	1.08	1.08	1.05
Recoveries as % to prior year charge-offs	14.3	17.7	18.4	20.5	17.7

Consumer retail notes and contracts

Liquidations	\$ 199,616	\$ 200,585	\$ 211,662	\$ 214,460	\$ 166,000
Notes charged-off	2,214	1,749	1,549	1,466	1,881
Recoveries	343	328	362	448	348
Net losses	1,871	1,421	1,187	1,018	1,533
% to liquidations	1.08%	0.71%	0.56%	0.47%	0.92%
% to average annual outstandings	0.59	0.43	0.35	0.34	0.65
Recoveries as % to prior year charge-offs	19.6	21.2	24.7	23.8	15.5

Commercial loans and contracts

Liquidations	\$ 576,809	\$ 475,931	\$ 431,205	\$ 387,941	\$ 336,446
Notes charged-off	3,081	1,519	1,701	1,869	1,034
Recoveries	484	529	179	175	53
Net losses	2,597	990	1,522	1,694	981
% to liquidations	0.45%	0.21%	0.35%	0.44%	0.29%
% to average annual outstandings	0.78	0.33	0.61	0.80	0.61
Recoveries as % to prior year charge-offs	31.9	31.1	9.5	15.6	3.4

Wholesale

Liquidations	\$ 354,391	\$ 376,807	\$ 478,333	\$ 432,522	\$ 362,033
Notes charged-off	85	102	190	75	113
Recoveries	5	19	15	31	97
Net losses	80	83	175	44	16
% to liquidations	0.02%	0.02%	0.04%	0.01%	0.00%
% to average annual outstandings	0.09	0.09	0.19	0.05	0.02
Recoveries as % to prior year charge-offs	4.9	10.0	20.3	27.4	85.8

Totals (including loans to associates)

Liquidations	\$1,271,525	\$1,189,310	\$1,251,399	\$1,157,723	\$ 971,807
Notes charged-off	9,612	7,065	5,363	5,135	4,492
Recoveries	1,360	1,217	873	953	770
Net losses	8,252	5,848	4,490	4,182	3,722
% to liquidations	0.65%	0.49%	0.36%	0.36%	0.38%
% to average annual outstandings	0.90	0.65	0.53	0.56	0.63
Recoveries as % to prior year charge-offs	19.2	22.7	17.0	21.2	12.6

Allowance for Credit Losses

(\$000's; December 31)

	1976	1975	1974	1973	1972
Direct cash loans					
Opening balance	\$ 4,703	\$ 4,533	\$ 3,872	\$ 3,480	\$ 2,852
Acquired on bulk purchase	484	—	—	—	—
Less net losses	3,704	3,354	1,606	1,426	1,192
Plus provision for credit losses	3,980	3,524	2,267	1,818	1,820
Closing balance	5,463	4,703	4,533	3,872	3,480
% to gross outstandings	3.3%	2.9%	2.9%	2.8%	2.8%
% to net outstandings	4.3	3.9	3.8	3.6	3.5
Consumer retail notes and contracts and wholesale					
Opening balance	\$ 5,745	\$ 5,381	\$ 5,000	\$ 3,909	\$ 3,352
Less net losses	1,951	1,504	1,362	1,062	1,549
Plus provision for credit losses	2,601	1,868	1,743	2,153	2,106
Closing balance	6,395	5,745	5,381	5,000	3,909
% to gross outstandings	1.6%	1.4%	1.3%	1.1%	1.2%
% to net outstandings	1.7	1.5	1.4	1.2	1.3
Commercial loans and contracts					
Opening balance	\$ 5,299	\$ 3,290	\$ 2,288	\$ 3,011	\$ 1,983
Less net losses	2,597	990	1,522	1,694	981
Plus provision for credit losses	4,038	2,999	2,524	971	2,009
Closing balance	6,740	5,299	3,290	2,288	3,011
% to gross outstandings	2.0%	1.6%	1.3%	0.9%	1.7%
% to net outstandings	2.5	1.9	1.5	1.1	1.9
Totals (including loans to associates)					
Opening balance	\$ 18,147	\$ 15,464	\$ 13,257	\$ 12,447	\$ 9,862
Acquired on bulk purchase	484	—	—	—	—
Less net losses	8,252	5,848	4,490	4,182	3,722
Plus provision for credit losses	10,684	8,531	6,697	4,992	6,307
Closing balance	21,063	18,147	15,464	13,257	12,447
% to gross outstandings	2.3%	2.0%	1.8%	1.6%	2.0%
% to net outstandings	2.7	2.3	2.1	1.8	2.3

Analysis of Arrears

(\$000's; December 31)

	1976		1975		1974		1973		1972	
	Unpaid Account Balances	Percent to Related Outstandings	Unpaid Account Balances	Percent to Related Outstandings	Unpaid Account Balances	Percent to Related Outstandings	Unpaid Account Balances	Percent to Related Outstandings	Unpaid Account Balances	Percent to Related Outstandings
CONTRACTUAL ARREARS										
Accounts with instalments past due 60 days or more										
Direct cash loans	\$ 15,106	9.09%	\$ 13,186	8.24%	\$ 10,203	6.47%	\$ 9,247	6.64%	\$ 4,861	3.89%
Consumer retail notes and contracts										
Automobiles	572	1.32	943	1.72	702	0.97	1,330	1.66	472	0.64
Trucks	1,389	2.83	1,430	2.70	921	1.73	1,224	2.28	1,248	2.55
Mobile homes	441	2.12	408	1.41	281	0.71	933	2.11	335	1.35
Residential mortgages	3,745	2.42	1,772	1.27	1,399	1.11	3,256	2.69	2,279	2.52
Home improvements	33	0.86	130	2.59	118	1.75	334	3.58		
Miscellaneous	975	2.99	853	2.75	849	3.01	785	2.48	381	2.06
	7,155	2.30	5,536	1.73	4,270	1.27	7,862	2.26	4,715	1.84
Commercial loans and contracts										
Industrial and commercial equipment	4,391	3.80	4,470	3.58	3,444	3.15	3,968	4.11	2,905	3.42
Commercial loans	—	—	7,999	22.04	—	—	—	—	—	—
Leasing	528	0.39	721	0.62	688	1.07	392	0.62	—	—
	4,919	1.75	13,190	4.77	4,132	1.96	4,360	2.16	2,905	2.06
Totals	\$ 27,180	3.58%	\$ 31,912	4.22%	\$ 18,605	2.64%	\$ 21,469	3.11%	\$ 12,481	2.39%
REPOSSESSIONS	\$ 4,016	0.53%	\$ 4,295	0.57%	\$ 3,269	0.46%	\$ 1,180	0.17%	\$ 1,819	0.35%
RECENCY ARREARS										
Direct cash loans										
Accounts with no payment for 60 days or more	\$ 6,536	3.93%	\$ 6,613	4.13%	\$ 5,321	3.37%	\$ 4,968	3.57%	\$ 2,573	2.07%
OTHER COLLECTION STATISTICS										
Wholesale										
Accounts outstanding for 6 months or more	\$ 20,291	24.64%	\$ 15,969	18.14%	\$11,050	12.26%	(not recorded prior to 1974)			
Factoring and commercial financing										
Average collection period of receivables (days)	62		69		64		60		64	

Analysis of Unearned Finance Charges

(\$000's; December 31)

	1976		1975		1974		1973		1972	
	Unearned Finance Charges	Percent to Related Receivables	Unearned Finance Charges	Percent to Related Receivables	Unearned Finance Charges	Percent to Related Receivables	Unearned Finance Charges	Percent to Related Receivables	Unearned Finance Charges	Percent to Related Receivables
Direct cash loans	\$ 38,433	26.1%	\$ 39,566	28.0%	\$ 38,683	28.3%	\$ 31,463	27.0%	\$ 25,257	25.6%
Consumer retail notes and contracts										
Automobiles	5,736	13.3	7,016	12.8	8,476	11.7	9,009	11.2		
Trucks	6,646	13.6	6,994	13.2	6,602	12.4	6,089	11.4	29,761*	16.1
Mobile homes	5,739	27.7	8,597	29.8	12,711	32.2	14,821	33.5		
Home improvements	291	7.6	610	12.2	1,074	15.9	1,674	17.9		
Miscellaneous	4,467	14.2	6,131	20.6	5,858	20.7	7,171	22.6		
Commercial loans and contracts										
Industrial and commercial equipment	16,406	14.2	17,874	14.3	15,722	14.4	10,607	11.0	10,035	11.8
Commercial loans	1,498	29.6	1,095	11.6	3,749	22.2	7,218	29.3	—	—
Leasing	41,448	31.2	34,598	30.0	16,502	25.8	17,316	27.5	12,048	32.1
Totals	\$120,664	22.0%	\$122,481	21.8%	\$109,377	20.8%	\$105,368	20.0%	\$ 77,101	19.0%

*Prior to 1973, unearned finance charges for these categories were recorded only as one total by branch.

Summary of Precomputed and Interest Bearing Receivables

	1976	1975	1974	1973	1972
Precomputed receivables					
Direct cash loans	\$147,324	\$141,109	\$136,535	\$115,311	\$ 98,703
Consumer retail notes and contracts	148,188	171,639	198,974	226,878	185,137
Commercial loans and contracts	253,628	249,761	190,313	184,076	122,459
	549,140	562,509	525,822	526,265	406,299
Interest bearing receivables					
Direct cash loans	18,903	18,830	21,279	23,947	26,213
Consumer retail notes and contracts	162,891	148,752	136,100	121,752	71,533
Commercial loans and contracts	78,278	85,761	67,892	58,174	58,530
Wholesale	82,334	88,055	90,164	93,061	66,201
	342,406	341,398	315,435	296,934	222,477
Total finance receivables	\$891,546	\$903,907	\$841,257	\$823,199	\$628,776

Maturities of Finance Receivables

(\$000's)

Instalments Due Within Monthly Groupings	Direct Cash Loans	Consumer Retail Notes and Contracts			Commercial Loans and Contracts				Wholesale	Total	Percent
		Motor Vehicles	Res. Mortgages	Other	Ind. & Comm. Equipment	Comm. Loans	Leasing	Factoring & Comm. Financing			
At December 31, 1976											
1 - 6 months	\$ 41,320	\$ 33,130	\$ 10,969	\$ 15,006	\$ 38,199	\$ 6,113	\$ 8,430	\$ 50,220	\$ 82,334	\$285,721	32.0%
7 - 12 months	30,357	23,401	10,632	9,127	27,465	6,555	8,028	—	—	115,565	13.0
within 12 months.....	71,677	56,531	21,601	24,133	65,664	12,668	16,458	50,220	82,334	401,286	45.0
13 - 24 months	49,848	30,367	36,391	12,948	32,503	6,164	15,730	—	—	183,951	20.6
25 - 36 months	30,206	11,090	27,824	6,874	12,961	4,916	13,784	—	—	107,655	12.1
37 - 48 months	11,697	1,172	27,082	4,381	3,528	1,886	12,765	—	—	62,511	7.0
49 - 60 months	2,796	76	38,198	3,972	825	4,878	11,640	—	—	62,385	7.0
within 60 months.....	166,224	99,236	151,096	52,308	115,481	30,512	70,377	50,220	82,334	817,788	91.7
over 60 months	3	—	3,545	4,894	118	880	64,318	—	—	73,758	8.3
Totals.....	\$166,227	\$ 99,236	\$154,641	\$ 57,202	\$115,599	\$ 31,392	\$134,695	\$ 50,220	\$ 82,334	\$891,546	100.0%

At December 31, 1975											
1 - 6 months	\$ 37,033	\$ 37,403	\$ 13,947	\$ 13,777	\$ 40,739	\$ 10,949	\$ 7,779	\$ 58,927	\$ 88,055	\$308,609	34.2%
7 - 12 months	27,616	26,971	10,856	9,178	29,795	5,236	7,393	—	—	117,045	12.9
within 12 months	64,649	64,374	24,803	22,955	70,534	16,185	15,172	58,927	88,055	425,654	47.1
13 - 24 months	46,315	35,633	19,876	13,849	34,567	8,637	14,192	—	—	173,069	19.2
25 - 36 months	30,661	14,016	41,835	9,118	14,719	4,475	12,903	—	—	127,727	14.1
37 - 48 months	14,080	1,575	20,940	5,194	4,169	3,541	11,001	—	—	60,500	6.7
49 - 60 months	4,231	96	32,041	4,926	823	2,049	9,512	—	—	53,678	5.9
within 60 months	159,936	115,694	139,495	56,042	124,812	34,887	62,780	58,927	88,055	840,628	93.0
over 60 months	3	10	468	8,682	—	1,409	52,707	—	—	63,279	7.0
Totals	\$159,939	\$115,704	\$139,963	\$ 64,724	\$124,812	\$ 36,296	\$115,487	\$ 58,927	\$ 88,055	\$903,907	100.0%

Maturities of Finance Receivables Summary

(\$000's; December 31)

Instalments Due Within Monthly Groupings	1976		1975		1974		1973		1972	
1 - 6 months	\$285,721	32.0%	\$308,609	34.2%	\$280,497	33.3%	\$263,101	31.9%	\$219,213	34.9%
7 - 12 months	115,565	13.0	117,045	12.9	109,509	13.0	104,283	12.7	87,428	13.9
within 12 months.....	401,286	45.0	425,654	47.1	390,006	46.3	367,384	44.6	306,641	48.8
13 - 24 months	183,951	20.6	173,069	19.2	173,884	20.7	158,542	19.3	135,672	21.6
25 - 36 months	107,655	12.1	127,727	14.1	108,221	12.9	96,861	11.8	73,180	11.6
37 - 48 months	62,511	7.0	60,500	6.7	81,783	9.7	65,227	7.9	40,542	6.5
49 - 60 months	62,385	7.0	53,678	5.9	44,610	5.3	75,586	9.2	41,176	6.5
within 60 months.....	817,788	91.7	840,628	93.0	798,504	94.9	763,600	92.8	597,211	95.0
over 60 months	73,758	8.3	63,279	7.0	42,753	5.1	59,599	7.2	31,565	5.0
Total outstandings.....	\$891,546	100.0%	\$903,907	100.0%	\$841,257	100.0%	\$823,199	100.0%	\$628,776	100.0%

Consolidated Summary of Maturities of Assets and Liabilities

(\$000's; December 31)

Maturity Dates Within	ASSETS		LIABILITIES		DIFFERENCES				
	Receivables	Other	Debt	Other	1976	1975	1974	1973	1972
1 year.....	\$ 401,286	\$ 28,268	\$317,146	\$ 60,155	\$ 52,253	\$ 37,091	\$ 26,749	\$ 44,032	\$ 91,188
2 years.....	183,951	—	23,091	—	160,860	125,941	127,083	96,481	96,249
3 years.....	107,655	—	18,759	—	88,896	113,512	70,074	41,554	33,799
4 years.....	62,511	—	41,699	—	20,812	44,443	70,878	44,315	15,115
5 years.....	62,385	—	24,216	—	38,169	14,882	30,388	65,648	24,204
	817,788	28,268	424,911	60,155	360,990	335,869	325,172	292,030	260,555
Beyond 5 years	73,758	—	243,364	—	(169,606)	(158,115)	(166,569)	(153,823)	(151,879)
Finance	891,546	28,268	668,275	60,155	191,384	177,754	158,603	138,207	108,676
Unearned income	(120,664)	—	—	—	(120,664)	(122,481)	(109,377)	(105,368)	(77,101)
Loans to associated companies	16,872	—	—	—	16,872	16,903	17,923	17,987	18,492
Allowance for credit losses	(21,063)	—	—	—	(21,063)	(18,147)	(15,464)	(13,257)	(12,447)
Land development & other.....	14,428	92,035	8,515	34,924	63,024	65,735	57,305	57,268	55,469
	\$781,119	\$120,303	\$676,790	\$ 95,079	\$129,553	\$119,764	\$108,990	\$ 94,837	\$ 93,089

Maturities of Debt Summary

(\$000's; December 31)

Maturity Dates Within

	1976		1975		1974		1973		1972	
1 year.....	\$322,208	47.6%	\$348,481	50.6%	\$323,896	50.3%	\$282,048	43.7%	\$183,938	37.5%
2 years.....	23,778		47,128		47,003		62,361		39,905	
3 years.....	19,617		15,283		38,157		55,507		39,681	
4 years.....	43,040		16,527		11,169		20,922		25,627	
5 years.....	24,668		40,145		15,060		10,438		16,982	
Sub-Total.....	433,311	64.0	467,564	67.8	435,285	67.6	431,276	65.4	306,133	62.5
6 - 10 years.....	154,583		121,107		78,888		69,249		64,091	
11 - 15 years.....	77,316		71,761		78,307		92,636		98,359	
16 - 25 years.....	11,580		28,568		51,304		51,750		21,394	
Total.....	\$676,790	100.0%	\$689,000	100.0%	\$643,784	100.0%	\$644,911	100.0%	\$489,977	100.0%

DUE WITHIN ONE YEAR

Short Term Notes—Bank.....	—	—	\$ 96,231	14.0%	\$139,360	21.6%	\$ 58,251	9.0%	\$ 7,000	1.4%
Other.....	\$200,903	29.7%	159,603	23.1	74,076	11.6	156,534	24.3	128,121	26.2
	200,903	29.7	255,834	37.1	213,436	33.2	214,785	33.3	135,121	27.6
Medium Term Notes.....	74,283	10.9	43,327	6.3	42,023	6.5	42,976	6.7	23,346	4.8
Long Term Notes.....	17,531	2.6	15,112	2.2	19,445	3.0	10,462	1.6	10,453	2.1
Other Secured Debt.....	1,379	0.2	1,259	0.2	878	0.1	855	0.1	382	0.1
	294,096	43.4	315,532	45.8	275,782	42.8	269,078	41.7	169,302	34.6
Debentures.....	2,603	0.4	8,663	1.3	25,061	3.9	4,531	0.7	4,470	0.9
Debt of Subsidiaries.....	25,509	3.8	24,286	3.5	23,053	3.6	8,439	1.3	10,166	2.0
	\$322,208	47.6%	\$348,481	50.6%	\$323,896	50.3%	\$282,048	43.7%	\$183,938	37.5%

Capitalization Ratios

(December 31)

Percentage due within one year to Total Debt ..	47.6%	50.6%	50.3%	43.7%	37.5%
Percentage due beyond one year to Total Debt ..	52.4%	49.4%	49.7%	56.3%	62.5%
Senior Debt to Capital Funds: times	2.6	2.8	2.9	3.3	2.9
Senior Debt to Equity: times	4.5	5.0	5.1	6.0	4.6
Total Debt to Equity: times	5.2	5.8	5.9	6.8	5.3

Consolidated Capitalization

(\$000's; December 31)

	1976		1975		1974		1973		1972	
Senior Borrowings										
Secured debt due within one year:										
Short term notes—Bank	—	—	\$ 96,231	11.9%	\$139,360	18.5%	\$ 58,251	7.9%	\$ 7,000	1.2%
—Other	\$200,903	24.9%	159,603	19.7	74,076	9.8	156,534	21.1	128,121	22.0
	200,903	24.9	255,834	31.6	213,436	28.3	214,785	29.0	135,121	23.2
Medium term	74,283		43,327		42,023		42,976		23,346	
Long term	17,531		15,112		19,445		10,462		10,453	
Other secured debt	1,379		1,259		878		855		382	
	294,096	36.4	315,532	39.0	275,782	36.6	269,078	36.3	169,302	29.0
Secured debt due beyond one year:										
Medium term	8,495		30,477		52,225		67,903		31,664	
Long term	221,187		193,076		187,826		191,854		200,955	
Other secured debt	23,447		24,821		15,942		16,857		17,959	
	253,129	31.4	248,374	30.7	255,993	34.0	276,614	37.4	250,578	43.0
Total secured debt	547,225	67.8	563,906	69.7	531,775	70.6	545,692	73.7	419,880	72.0
Debt of Subsidiaries:										
Due within one year	25,509		24,286		23,053		8,439		10,166	
Due beyond one year	7,831		6,762		4,636		11,999		1,928	
	33,340	4.1	31,048	3.8	27,689	3.7	20,438	2.8	12,094	2.1
Total Senior Borrowings	580,565	71.9	594,954	73.5	559,464	74.3	566,130	76.5	431,974	74.1
Capital Funds										
Unsecured debt—Due within one year . .	2,603		8,663		25,061		4,531		4,470	
—Due beyond one year	93,622		85,383		59,259		74,250		53,533	
	96,225	12.0	94,046	11.6	84,320	11.2	78,781	10.6	58,003	9.9
Preferred stock	36,260		36,888		20,877		13,864		14,304	
Common stock	51,747		49,506		33,404		33,404		33,397	
Surplus	69,595		61,419		54,709		47,569		45,388	
Elimination of inter-company holdings . .	(28,049)		(28,049)		—		—		—	
Total capital and surplus	129,553	16.0	119,764	14.8	108,990	14.4	94,837	12.8	93,089	16.0
Total Capital Funds	225,778	28.0	213,810	26.4	193,310	25.6	173,618	23.4	151,092	25.9
Minority Interest	945	0.1	598	0.1	513	0.1	350	0.1	181	
Total Capitalization	\$807,288	100.0%	\$809,362	100.0%	\$753,287	100.0%	\$740,098	100.0%	\$583,247	100.0%

Borrowings

(\$000's)

(as determined by
month-end balances)

		Traders Group Limited						Consolidated Subsidiaries	
		Secured Debt					Unsecured Debt		
		Short Term				Long Term	Long Term		
		Amounts		Occurrence		Original Maturity Over 1 Year	Original Maturity Over 1 Year	Short Term Debt	Long Term Debt
		Bank Loans	Open Market	Short Term Debt	Date	Lines of Credit			
1976	High	\$ 60,161	\$226,096	\$262,032	February 29	\$287,113	\$351,026	\$ 96,530	\$ 24,313
	Low	—	175,347	193,026	November 30	325,643	299,965	93,099	14,748
	Average	23,552	211,649	235,201			329,176	95,101	19,702
1975	High	96,231	187,743	255,834	December 31	278,870	335,128	94,111	26,739
	Low	34,150	120,876	185,927	January 31	221,336	297,838	79,299	17,553
	Average	57,010	158,321	215,331			310,005	83,634	21,723
1974	High	139,360	199,442	218,368	January 31	203,096	357,773	88,448	27,973
	Low	18,926	74,076	180,914	September 30	219,833	318,338	78,781	10,258
	Average	71,288	127,938	199,226			345,910	85,686	18,913
1973	High	65,233	183,123	214,785	December 31	200,116	338,827	78,853	9,620
	Low	500	117,230	136,776	January 31	155,261	281,081	54,139	1,550
	Average	18,234	145,079	163,313			294,409	65,656	5,562
1972	High	33,988	132,751	136,001	September 30	129,195	285,427	58,141	5,299
	Low	3,000	77,735	99,529	January 31	123,122	250,874	45,766	2,776
	Average	16,474	102,480	118,954			259,496	50,552	3,275

BANK LINES OF CREDIT AND SHORT TERM DEBT COVER

(December 31)

	LINES OF CREDIT			COVER RATIO	
	Traders Group Limited	Consolidated Subsidiaries	Total	Bank Lines Only	As Defined by Trust Deed
1976	\$320,834	\$33,100	\$353,934	160%	174%
1975	278,870	26,400	305,270	109	120
1974	220,517	25,150	245,667	103	146
1973	200,116	13,700	213,816	93	106
1972	142,762	13,500	156,262	106	122

The sale of short and medium term senior secured notes of Traders and senior promissory notes of Aetna is handled by selling groups which are managed by McLeod, Young, Weir & Company Limited, and

which comprise certain members of the Investment Dealers Association and a Canadian chartered bank.

Policies and Practices

Accounting Practices

Accounting practices with respect to the principles of consolidation, associated companies, foreign exchange, unearned and deferred income and the land inventories of subsidiaries are presented as an integral part of the consolidated financial statements.

Lending Policy

Loan applications are subject to prudent credit policies. Specific credit granting authority is assigned to management according to the portfolio, position, experience and proven capabilities. The larger the transaction, the more senior the level of management authorized to grant approval. Commercial loans and all loans up to and including the sum of \$1 million and exceeding the amounts indicated below are approved by the Credit Committee of Traders or by the Operating Committee of Aetna Factors Corporation Ltd. Aetna transactions over \$1 million must be approved by Aetna's Board of Directors. All other transactions exceeding \$1 million must be approved by the Executive Committee of the Board of Directors.

The company has a policy not to provide financing to any concerns in which its officers, directors, major stockholders, or their families have a material beneficial interest.

Rewrites and Extensions

A rewrite, or a renewal, is a change in both the maturity of the account and the amount of the instalments. New documentation is completed with the customer and the appropriate guarantors.

An extension is the deferment of an instalment to a later date, to accommodate a temporary financial problem of the customer.

A renewal or an extension may be allowed only if the customer's situation has changed significantly, and if his current credit position justifies such a change.

Extensions and renewals are carefully monitored by divisional management to ensure that they are only used to allow customers with changed financial conditions to keep their commitments.

Delinquencies

For statistical purposes, a delinquent account is one on which an entire instalment is past due, and the unpaid amount has been outstanding for 30 days or more.

For collateral valuations, the balances of all accounts with instalments past due 90 days or more, plus the instalments one day or more past due of all other accounts, are deducted from the valuation.

Write-offs of Finance Receivables

Credit losses are written-off monthly, as soon as identified, after all reasonable effort has been made to effect recovery from the obligant, collateral, or guarantor.

In addition, direct cash loans are written-off if no instalment has been received for six months; consumer financing receivables are written-off if no instalment has been received for nine months; residential mortgages are written-off if no instalment has been received for twelve months. Discretionary power is afforded divisional management for accounts on which collectability is imminent or security is yet to be realized, in the case of mortgages.

Maximum Credit Granting Authority (\$000's)	Senior Vice President	Vice President	Assistant Vice President	Regional Manager	Branch Manager
Portfolio					
Direct cash loans	\$100	\$ 25	\$ 10	\$ 6.5	\$ 3
Consumer retail notes and contracts	300	100	50	25	15
Residential mortgages and home improvements	100	50	30	25	15
Industrial and commercial equipment	500	300	125	75	25
Commercial loans	300	150	—	—	—
Leasing	500	300	125	75	—
Factoring and commercial financing	—	100	—	—	50
Wholesale	400	300	150	—	—

Policies and Practices

(continued)

Allowance for Credit Losses

The allowance for credit losses is established as the result of regular detailed analyses of individual delinquent accounts. In addition to specific reserves, a general reserve is established based on a percentage of outstandings determined by the characteristics of the particular class of receivables, past write-off experience, and other related considerations. The Company's auditors review these analyses.

Loans to Associated Companies (\$000's)

Loans to associated companies, as shown in the consolidated financial statements, are detailed below:

	December 31	
	1976	1975
Montrad Limited	\$15,949	\$16,042
MerBan Capital Corporation Limited	923	861
	<u>\$16,872</u>	<u>\$16,903</u>

Investments in Associated Companies (\$000's)

Investments in associated companies, as shown in the consolidated financial statements, are detailed below:

	December 31	
	1976	1975
Inter-City Gas	\$ 4,668	\$ 3,942
Land Development associates	350	912
Montrad Limited	500	500
Other	722	313
	<u>\$ 6,240</u>	<u>\$ 5,667</u>

Debt of Subsidiaries (\$000's)

The outstanding debt of subsidiaries, shown in the consolidated financial statements, is detailed below:

	December 31	
	1976	1975
Aetna Factors Corporation Ltd.	\$16,474	\$18,129
Traders Homeplan Limited	283	338
International subsidiaries	8,068	6,585
Land Development subsidiaries	8,515	5,996
	<u>\$ 33,340</u>	<u>\$31,048</u>

Traders Pension Plan

Traders has operated an employee pension plan for 34 years. The plan is contributory, providing for normal retirement at age 65, and voluntary retirement without penalty at age 62. Pension benefits are based upon an employee's final five year average earnings. The employee's contributions were supplemented by Company contributions of \$580,000 in 1976 and \$540,000 in 1975 to keep the plan fully funded, based on current actuarial valuations.

The Traders Pension Fund, not reflected in the consolidated financial statements, is administered by Trustees on behalf of members of the plan.

Personnel

	1976	1975	1974	1973	1972
Finance	1,483	1,543	1,519	1,632	1,615
Land Development	16	19	9	7	3
	<u>1,499</u>	<u>1,562</u>	<u>1,528</u>	<u>1,639</u>	<u>1,618</u>
Insurance	437	397	425	422	425
Guaranty Trust	1,076	1,053	1,026	1,054	915
	<u>3,012</u>	<u>3,012</u>	<u>2,979</u>	<u>3,115</u>	<u>2,958</u>

Branch Locations

	Personal Financial Services	Business Financial Services	Canadian General Insurance Group	Guaranty Trust Company	Total
British Columbia	14	2	—	4	20
Yukon	1	—	—	—	1
Alberta	14	3	—	5	22
Saskatchewan	5	—	—	3	8
Manitoba	4	1	1	1	7
Ontario	61	6	8	47	122
Quebec	32	4	1	2	39
New Brunswick	12	1	1	—	14
Nova Scotia	22	1	1	—	24
Prince Edward Island	2	—	1	—	3
Newfoundland	7	—	1	—	8
	<u>174</u>	<u>18</u>	<u>14</u>	<u>62</u>	<u>268</u>

Summary of Significant Covenants

The following is a summary of significant borrowing covenants. Complete details may be obtained by reference to the appropriate document.

Security for Senior Secured Notes and Maintenance Tests.

In the Trust Deed the Company covenants that so long as any of the Senior Secured Notes are outstanding:

- (i) The Company shall have on deposit with the Custodians, as part of the pledged collateral, sufficient Finance Receivables and/or Eligible Securities so that the Value of Deposited Finance Receivables and the Value of Eligible Securities (both as defined in the Trust Deed) shall not at any time be less than 112½% of the Senior Obligations. As at December 31, 1976, Senior Obligations outstanding were \$522.7 million. The Value of Deposited Finance Receivables and Value of Eligible Securities pledged with the Custodians at such date were \$712.0 million, being more than 136% of the Senior Obligations outstanding.
- (ii) The total amount of Senior Obligations shall not be in excess of 350% of the Capital Base of the Company. As at December 31, 1976, the Capital Base of the Company was in excess of \$197 million and therefore Senior Obligations outstanding at that date were not more than 265% of Capital Base.
- (iii) The total of Indebtedness for Borrowed Money of the Company which is secured by a mortgage, hypothec, pledge or lien (including the Notes) plus the Indebtedness for Borrowed Money of all Finance Subsidiaries (other than Indebtedness for Borrowed Money owing to the Company or to another Finance Subsidiary), whether or not secured, shall not exceed 350% of the total of the Capital Base plus the amounts deducted from Capital Base pursuant to item (i) of the definition thereof which relate to Unrestricted Finance Subsidiaries (the only Unrestricted Finance Subsidiaries at the date hereof being Aetna Factors Corporation Ltd. and Traders Finance S.A. and its subsidiaries). As at December 31, 1976, such aggregate Indebtedness for Borrowed Money was not more than 267% of the Capital Base as so adjusted.
- (iv) The Company shall at all times maintain the aggregate amount of Short Term Cover in an amount equal to at least 100% of Short Term Obligations. At December 31, 1976, Short Term Cover was \$350.0 million, including bank lines of credit of Canadian \$320.8 million, or more than 174% of Short Term Obligations.

Restrictions on Issuance of Additional Senior Secured Notes:

There is no fixed limitation upon the aggregate principal amount of Senior Secured Notes which may be issued and outstanding but the Trust Deed contains provisions prohibiting the issuance of additional Notes unless after the issue of such Notes the Company is in compliance with the maintenance tests referred to above under "Maintenance Tests".

Custody of Pledged Collateral

G.C. Brain, the Senior Vice President, Finance, and F.P. Keefe, Vice President and Treasurer of the Company have been appointed as Custodians of the pledged collateral. Directly or through their agents, they hold the pledged collateral at branches of the Company's bankers as agents or depositaries for the Trustees.

Floating Charge

The Trust Deed, in addition to the specific security, constitutes a first floating charge on the undertaking and all other property and assets of the Company to the extent legally possible subject to certain exemptions, set forth in the Trust Deed.

Capital Base

The Capital Base of the Company is essentially paid up capital stock and surplus as would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries plus the aggregate principal amount of the Unsecured Indebtedness for Borrowed Money of the Company less certain deductions based upon Investments in and Advances to Unrestricted Subsidiaries and Associates, and Intangibles.

Unsecured Debt

The Trust Deed does not limit the amount of unsecured debt, including Debentures, which may be issued but no Debentures may be issued under the Trust Indenture unless (a) the aggregate of the capital and surplus (as defined) of the Company shall be at least equal to the aggregate principal amount of all unsecured debentures of the Company then outstanding and the additional Debentures proposed to be issued, and (b) the net earnings (as defined) of the Company and its subsidiaries for any twelve consecutive months of the eighteen months next preceding the date of application for the issuance of additional Debentures shall have been equal to at least three times the annual interest requirements of all unsecured debentures of the Company then outstanding and the additional Debentures proposed to be issued.

Balance Sheet

(\$000's; December 31)

Assets	1976	1975	1974	1973	1972
CASH	\$ 28,268	\$ 23,663	\$ 15,981	\$ 14,296	\$ 10,469
RECEIVABLES					
Finance					
Consumer	477,306	480,330	492,888	487,888	381,585
Commercial	331,906	335,522	258,205	242,250	180,990
Wholesale	82,334	88,055	90,164	93,061	66,201
	891,546	903,907	841,257	823,199	628,776
Loans to associated companies	16,872	16,903	17,923	17,987	18,492
	908,418	920,810	859,180	841,186	647,268
Less: Allowance for credit losses	21,063	18,147	15,464	13,257	12,447
	887,355	902,663	843,716	827,929	634,821
INVESTMENTS					
Land inventories of subsidiaries, at cost	18,455	12,347	6,218	6,729	8,862
Investments in associated companies, at equity value and other investments, at cost	6,240	5,667	1,784	1,727	1,380
Investment in subsidiaries not consoli- dated, at equity value					
—Canadian General Insurance Group	22,183	19,642	18,166	17,791	15,985
—Guaranty Trust Company of Canada	36,784	32,922	29,283	22,849	20,852
	83,662	70,578	55,451	49,096	47,079
OTHER ASSETS					
Receivables of Land Development subsidiaries and other receivables	14,428	17,727	12,514	10,997	5,816
Income taxes recoverable	—	1,315	—	2,052	2,006
Fixed assets, at cost less accumulated depreciation	3,441	3,399	3,418	3,187	3,181
Unamortized cost of borrowed money	4,932	4,410	3,867	5,470	4,608
	22,801	26,851	19,799	21,706	15,611
The accompanying notes form an integral part of the consolidated financial statements.					
	\$1,022,086	\$1,023,755	\$ 934,947	\$ 913,027	\$ 707,980

Liabilities	1976	1975	1974	1973	1972
PAYABLES					
Accounts payable and accrued expenses	\$ 21,467	\$ 20,643	\$ 20,009	\$ 21,816	\$ 15,195
Wholesale due to manufacturers	8,139	9,159	13,015	10,075	6,352
Dividends payable	2,111	2,751	1,973	1,609	1,230
Dealers' balances and factoring liabilities	31,549	36,748	22,914	24,372	21,402
Income taxes payable	446	—	869	—	—
	63,712	69,301	58,780	57,872	44,179
DEFERRED CREDITS					
Unearned finance charges	120,664	122,481	109,377	105,368	77,101
Deferred gross margin on land sales	—	91	—	920	—
Deferred income taxes	30,422	22,520	13,503	8,769	3,453
	151,086	145,092	122,880	115,057	80,554
SECURED DEBT OF THE COMPANY					
Due within one year					
Short term	200,903	255,834	213,436	214,785	135,121
Medium and long term	93,193	59,698	62,346	54,293	34,181
Due beyond one year	253,129	248,374	255,993	276,614	250,578
	547,225	563,906	531,775	545,692	419,880
DEBT OF SUBSIDIARIES					
Due within one year	25,509	24,286	23,053	8,439	10,166
Due beyond one year	7,831	6,762	4,636	11,999	1,928
	33,340	31,048	27,689	20,438	12,094
UNSECURED DEBT OF THE COMPANY					
Due within one year	2,603	8,663	25,061	4,531	4,470
Due beyond one year	93,622	85,383	59,259	74,250	53,533
	96,225	94,046	84,320	78,781	58,003
MINORITY INTEREST in Consolidated					
Subsidiaries	945	598	513	350	181
CAPITAL AND SURPLUS					
Preferred shares	36,260	36,888	20,877	13,864	14,304
Common shares	51,747	49,506	33,404	33,404	33,397
	88,007	86,394	54,281	47,268	47,701
Surplus	69,595	61,419	54,709	47,569	45,388
	157,602	147,813	108,990	94,837	93,089
Elimination of inter-company holdings	(28,049)	(28,049)	—	—	—
	129,553	119,764	108,990	94,837	93,089
	\$1,022,086	\$1,023,755	\$ 934,947	\$ 913,027	\$ 707,980

Statement of Surplus

(\$000's; Year ended December 31)

	1976	1975	1974	1973	1972
BALANCE AT BEGINNING OF YEAR	\$ 61,419	\$ 54,709	\$ 47,569	\$ 45,388	\$ 39,883
Adjustments arising during the year—					
Change in holdings in subsidiaries	67	(243)	2,107	(4,351)	(579)
Purchase of income funding rights	—	(42)	—	(305)	—
Amortization of cost of issuing preferred shares, net of gain on redemption	115	64	62	31	5
Cost of issuing shares (net of income taxes)	—	(209)	—	—	—
	61,601	54,279	49,738	40,763	39,309
NET INCOME AFTER EXTRAORDINARY ITEMS	15,439	13,776	11,086	12,168	10,594
Less: Dividends on preferred shares—					
4½ %	135	136	135	136	136
5%	58	58	58	58	58
5%, Series A	107	122	135	149	167
\$2.16, Series B	459	470	485	498	510
10¼ %	768	768	281	—	—
7.5%	1,232	702	—	—	—
Interest on income funding rights	—	—	—	2	8
	2,759	2,256	1,094	843	879
EARNINGS AVAILABLE FOR COMMON SHARES	12,680	11,520	9,992	11,325	9,715
Less: Dividends on common shares (net of intercompany holdings)	4,686	4,380	5,021	4,519	3,636
EARNINGS RETAINED FOR THE YEAR	7,994	7,140	4,971	6,806	6,079
BALANCE AT END OF YEAR of which \$2.5 million is designated as capital surplus under the Canada Corporations Act	\$ 69,595	\$ 61,419	\$ 54,709	\$ 47,569	\$ 45,388

Earnings Per Common Share

(Year ended December 31)

Before extraordinary items	\$ 2.86	\$ 2.47	\$ 1.81	\$ 2.07	\$ 2.01
After extraordinary items	3.05	2.58	1.99	2.26	2.01
Dividends declared on common shares	\$ 1.12	\$ 1.02½	\$ 1.00	\$ 0.90	\$ 0.75
Weighted average number of common shares outstanding after inter-company elimination (000's)	4,164	4,467	5,021	5,021	4,828

Statement of Net Income

(\$000's; Year ended December 31)

	1976	1975	1974	1973	1972
GROSS OPERATING INCOME					
Finance	\$127,521	\$116,065	\$115,821	\$ 90,770	\$ 76,519
Land Development	13,552	10,782	7,207	7,671	1,751
	141,073	126,847	123,028	98,441	78,270
INVESTMENT INCOME					
Land Development	60	284	486	227	539
Equity share in net income of subsidiaries not consolidated					
—Guaranty Trust Company of Canada	1,150	1,102	71	1,448	2,100
—Canadian General Insurance Group	2,140	1,405	281	1,760	1,201
Other	780	462	(151)	25	171
Total income	145,203	130,100	123,715	101,901	82,281
DIRECT OPERATING CHARGES					
Interest expense—					
Secured debt of the Company					
—short term	22,763	19,354	22,681	12,601	7,141
—medium and long term	27,476	24,650	26,336	21,149	18,570
Debt of subsidiaries	2,422	3,004	3,151	714	618
Unsecured debt of the Company	9,032	7,510	7,386	5,339	3,820
Other borrowing costs	1,894	923	644	755	830
	63,587	55,441	60,198	40,558	30,979
Provision for credit losses	10,684	8,531	6,696	4,991	6,307
Cost of sales—land development	8,134	7,416	4,128	4,850	896
Commissions and other direct charges	2,064	1,984	2,228	2,723	1,938
	84,469	73,372	73,250	53,122	40,120
GENERAL AND ADMINISTRATIVE EXPENSES					
Personnel costs	20,194	18,721	17,380	29,687	24,969
Other	15,191	14,738	14,080		
Total expenses	119,854	106,831	104,710	82,809	65,089
Income before income taxes and minority interest . . .	25,349	23,269	19,005	19,092	17,192
Income taxes—Current	2,506	813	4,017	2,429	3,608
—Deferred	7,902	8,890	4,734	5,314	2,945
	10,408	9,703	8,751	7,743	6,553
	14,941	13,566	10,254	11,349	10,639
Minority interest in net income of consolidated subsidiaries	261	269	94	134	45
NET INCOME before extraordinary items	14,680	13,297	10,160	11,215	10,594
EXTRAORDINARY ITEMS					
Income taxes realized on the carry forward of past losses of subsidiaries	296	16	—	27	—
Capital gain on sale of shares of subsidiary	463	463	926	926	—
NET INCOME after extraordinary items	\$ 15,439	\$ 13,776	\$ 11,086	\$ 12,168	\$ 10,594

Statement of Changes in Financial Position

(\$000's; Increase (Decrease))
(Year ended December 31)

	1976	1975	1974	1973	1972
CHANGES IN CONSOLIDATED ASSETS					
CASH	\$ 4,605	\$ 7,682	\$ 1,685	\$ 3,827	\$ 5,846
RECEIVABLES (net of unearned finance charges and allowance for credit losses)	(13,491)	45,843	11,779	164,840	83,012
INVESTMENTS					
Land inventories of subsidiaries	6,108	6,129	(511)	(2,133)	1,091
Associated companies and other investments	573	3,883	57	347	701
Canadian General Insurance Group	2,541	1,476	375	1,806	760
Guaranty Trust Company of Canada	3,862	3,639	6,434	1,997	1,446
	<u>13,084</u>	<u>15,127</u>	<u>6,355</u>	<u>2,017</u>	<u>3,998</u>
OTHER ASSETS	(4,050)	7,052	(1,908)	6,096	915
NET INCREASE in consolidated assets	\$ 148	\$ 75,704	\$ 17,911	\$176,780	\$ 93,771
SOURCES OF FUNDS TO FINANCE THE INCREASE IN CONSOLIDATED ASSETS					
DEBT					
Secured	\$ (16,681)	\$ 32,131	\$(13,917)	\$125,812	\$ 71,278
Debt of Subsidiaries	2,292	3,359	7,251	8,344	824
Unsecured debt of the Company	2,179	9,726	5,539	20,778	8,495
	<u>(12,210)</u>	<u>45,216</u>	<u>(1,127)</u>	<u>154,934</u>	<u>80,597</u>
EQUITY					
Share capital	1,613	32,113	7,013	(433)	3,146
Increase in surplus	8,176	6,710	7,140	2,181	5,505
Elimination of inter-company holdings	—	(28,049)	—	—	—
	<u>9,789</u>	<u>10,774</u>	<u>14,153</u>	<u>1,748</u>	<u>8,651</u>
OTHER LIABILITIES AND DEFERRED CREDITS					
Payables	(5,589)	10,521	908	13,693	1,581
Deferred gross margin on land sales	(91)	91	(920)	920	—
Deferred income taxes	7,902	9,017	4,734	5,316	2,937
Minority interest in consolidated subsidiaries	347	85	163	169	5
	<u>2,569</u>	<u>19,714</u>	<u>4,885</u>	<u>20,098</u>	<u>4,523</u>
	<u>\$ 148</u>	<u>\$ 75,704</u>	<u>\$ 17,911</u>	<u>\$176,780</u>	<u>\$ 93,771</u>

The above statement shows the changes in consolidated assets from the prior year end, and the three major sources of funds (debt, equity and other liabilities and deferred credits). A conventional statement of changes in financial position is not appropriate to finance companies since "working capital" for

such companies includes long term receivables and long term debt as well as current items. The above statement has been designed to show comparable information appropriate to the operations of the Company's business.

Notes to the Financial Statements

December 31, 1976

1. Accounting practices:

The major accounting practices followed by the Company and its consolidated subsidiaries are outlined on page 26. Financial statements of subsidiaries not consolidated appear on pages 28 to 33.

2. Cash:

Cash includes \$16.7 million (1975—\$21.8 million) in balances in U.S. banks maintained in accordance with agreements for lines of credit with these banks, and \$6.5 million in money market instruments.

3. Commercial finance receivables:

The following lease receivables are included in commercial finance receivables:

	December 31	
	1976	1975
	(\$000's)	
Aggregate rentals receivable . . .	\$129,222	\$109,674
Residuals on expiry of leases:		
Contractual	3,653	3,993
Non-contractual	1,820	1,820
	<u>\$134,695</u>	<u>\$115,487</u>

4. Capitalization:

Details of the secured and unsecured debt, capital position and potential dilution are included in the Capitalization Schedule on pages 24 and 25.

5. Extraordinary item:

The Company completed a final sale of shares in a subsidiary company, and realized a further capital gain of \$463,000 in 1976 pursuant to an agreement entered into in 1972 for the sale of an aggregate of 30% over the period from 1972 to January 2, 1976.

6. Contingent liabilities:

The Company and its subsidiaries, in the normal course of business, have guaranteed letters of credit and bank loans on behalf of customers, and bank loans of associated companies, in the aggregate amount of \$6.3 million at December 31, 1976.

An insurance subsidiary is being sued for damages of \$6.5 million for breach of contract. Legal counsel advises that this action has no merit.

7. Foreign exchange:

Debt of the Company due beyond one year in foreign currencies is carried at the Canadian funds received at date of issue. The total Canadian dollar liability on such notes at current rates of exchange at December 31, 1976 is less than the Canadian funds received at date of issue, indicating a contingent future foreign exchange gain of approximately \$2.6 million. Foreign exchange conditions in the future could alter this position materially.

8. Remuneration of directors and officers:

The aggregate direct remuneration paid to the directors and senior officers of the Company during the year ended December 31, 1976 was:

	As directors		As officers	
	Number	Amount	Number	Amount
		(\$000's)		(\$000's)
Paid by the Company	16	42	26	1,306
Paid by subsidiaries	8	23	3	99

Four officers and three former officers were also directors of the Company.

9. Anti-Inflation Act:

The Company and its Canadian subsidiaries are subject to, and believe they have complied with, controls on profit margins, compensation and dividends under the Anti-Inflation program.

10. Subsequent Event:

The Company proposes to make a share exchange offer expiring April 15, 1977 to shareholders in Canada of Guaranty Trust Company of Canada (the offeree) on the basis of one common share of the Company and \$9.00 in cash for each three common shares of the offeree acquired.

If accepted by all shareholders the Company would acquire 2,754,002 shares of the offeree in exchange for 918,000 common shares of the Company and \$8,262,006.

Traders Group Limited and Consolidated Subsidiaries

Capitalization

December 31, 1976

Secured Debt (\$000's)

The senior secured notes of the Company are secured by a first specific charge on finance receivables and eligible securities, a first floating charge on the undertaking and certain other property and assets of the Company and protected by operating restrictions provided in borrowing agreements.

	Due within one year	Due beyond one year	Total
SENIOR SECURED DEBT			
Short term notes:			
—in Canadian funds	\$138,834		\$138,834
—in U.S. funds at current and forward exchange rates	62,069		62,069
	<u>200,903</u>		<u>200,903</u>
Medium term maturing 1977 to 1981 ...	74,283	\$ 8,495	82,778
Long term	17,531	221,187	238,718
	<u>91,814</u>	<u>229,682</u>	<u>321,496</u>
OTHER SECURED DEBT	1,379	23,447	24,826
TOTAL SECURED DEBT	<u>\$294,096</u>	<u>\$253,129</u>	<u>\$547,225</u>

MEDIUM TERM NOTES MATURE IN

1977	\$74,283
1978	7,705
1979	753
1980	25
1981	12
	<u>\$82,778</u>

LONG TERM SENIOR SECURED NOTES

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
5 ³ / ₈ % V	May 1, 1977	—	\$ 10,000 U.S.	\$ 10,106
5 ³ / ₄ % X	April 1, 1979	—	7,500	7,500
6 ³ / ₄ % AF	June 15, 1981	\$ 250	10,000	7,512
5 ³ / ₄ % Y	September 15, 1981	375	15,000	10,709
9 ³ / ₄ % AS	March 15, 1982	1,313	25,000	23,500
5 ³ / ₄ % Z	April 15, 1983	250	10,000	8,250
5 ¹ / ₄ % AA	May 15, 1983	253	10,000 U.S.	9,677
5 ³ / ₄ % AB	May 1, 1984	250	10,000	7,915
5 ³ / ₄ % AC	September 15, 1984	375	15,000	10,728
5 ³ / ₄ % AD	April 15, 1985	375	15,000	11,446
6 ¹ / ₄ % AE	April 1, 1986	—	12,500 U.S.	13,457
7 ³ / ₄ % AH	December 1, 1986	79	3,150	2,448

Series	Maturity dates	Maximum annual purchase fund	Issued	Outstanding
7 ¹ / ₄ % AI	July 1, 1987	—	\$17,700 U.S.	\$ 19,034
7 ³ / ₄ % AJ	September 15, 1987	\$ 125	5,000	4,001
8% AK	December 1, 1988	780	15,450 U.S.	14,505
8 ³ / ₄ % AL	December 15, 1988	8	306	290
9 ³ / ₄ % AM	December 15, 1989	29	1,165	1,141
9 ¹ / ₂ % AN	May 15, 1990	5	215	214
10 ¹ / ₂ % AO	October 15, 1990	923	14,600 U.S.	13,430
9% AP	February 15, 1991	625	25,000	23,016
10 ⁷ / ₈ % AR	March 15, 1991	1,010	20,000 U.S.	19,839
11 ¹ / ₄ % AQ	January 6, 1995 (i)	400	20,000	20,000
		<u>\$7,425</u>		<u>\$238,718</u>

(i) The holders of Series AQ Notes maturing January 6, 1995 have the right to elect pre-payment on January 6, 1982. Such election may be made only after July 1, 1981 and prior to December 4, 1981.

OTHER SECURED DEBT

The Company has obligations of \$24.8 million secured on real and other property, bearing current interest rates from 7.25% to 10.25% and payable from 1977 through 1990.

Unsecured Debt (\$000's)

DEBENTURES

Series	Maturity dates	Annual sinking fund or maximum annual purchase fund	Issued	Outstanding
9 ³ / ₄ %	November 2, 1980	\$ 72	\$ 2,416	\$ 2,344
6%	October 15, 1982	225	7,500	5,148
6%	November 1, 1984	180	6,000	4,430
6%	June 1, 1985	120	4,000	3,024
11 ¹ / ₄ %	June 15, 1990(i)	250	12,500	12,500
11 ¹ / ₂ %	November 1, 1990(i)	600	20,000	20,000
10 ³ / ₄ %	April 15, 1991(i)	300	10,000	10,000
9 ¹ / ₂ %	June 15, 1991	106	3,527	3,527
8 ³ / ₄ %	October 15, 1992(i)	—	12,500	12,500
8 ³ / ₄ %	May 1, 1993	375	12,500	11,374
9%	October 15, 1993	375	12,500	11,378
		<u>\$ 2,603</u>		<u>\$96,225</u>

(i) The holders of the following series have the right to elect that the Company shall pay such debentures at the early maturity date indicated below:

Series	After	Prior to	Early maturity date
11 ¹ / ₄ % June 15, 1990	December 15, 1979	May 15, 1980	June 15, 1980
11 ¹ / ₂ % November 1, 1990	May 15, 1980	October 15, 1980	November 15, 1980
8 ³ / ₄ % October 15, 1992	October 15, 1981	April 15, 1982	October 15, 1982
10 ³ / ₄ % April 15, 1991	October 15, 1982	March 15, 1983	April 15, 1983

A purchase fund will apply to the 8³/₄% debentures outstanding after October 15, 1982.

DEBT OF SUBSIDIARIES (\$000's)

Bearing current interest rates from 6% to 11.25% and maturing from 1977 to 2001.

	Due within one year	Due beyond one year	Total
Finance subsidiaries			
Canada	\$12,574	\$ 4,183	\$16,757
International	7,873	195	8,068
	<u>20,447</u>	<u>4,378</u>	<u>24,825</u>
Other subsidiaries	5,062	3,453	8,515
	<u>\$25,509</u>	<u>\$ 7,831</u>	<u>\$33,340</u>

Share Capital**CUMULATIVE REDEEMABLE
PREFERRED SHARES**

	Authorized		Issued and outstanding	
	Shares	Amount (\$000's)	Shares	Amount (\$000's)
4½%, par value \$100	35,000	\$ 3,500	35,000	\$ 3,500
Less: held by subsidiaries			5,135	513
			<u>29,865</u>	<u>2,987</u>
5%, par value \$40	29,149	1,166	29,149	1,166
Shares issuable in series, par value \$30	351,917	10,558		
Series A, 5%			75,203	2,256
Less: cancelled by purchase during 1976			8,177	245
			<u>67,026</u>	<u>2,011</u>
Series B, \$2.16			215,542	6,466
Less: cancelled by purchase during 1976			6,603	198
			<u>208,939</u>	<u>6,268</u>
Shares issuable in series, par value \$10	5,000,000	50,000		
10¼% preferred shares			749,500	7,495
7.5%, par value \$50	331,100	16,555	330,359	16,518
Less: cancelled by purchase during 1976			3,701	185
			<u>326,658</u>	<u>16,333</u>
				<u>\$36,260</u>

The terms of issue of Series A, Series B, 10¼% and 7.5% preferred shares include provisions by which the Company is to provide (subject to certain conditions) the following purchase fund for the purchase and cancellation of these preferred shares:

	Maximum purchase price per share	Annual purchase fund (\$000's)
Series A	\$28	\$ 210
Series B	30	150
10¼% shares	10	750
7.5% shares	50	332
		<u>\$1,442</u>

**COMMON SHARES WITHOUT
NOMINAL OR PAR VALUE**

	Authorized	Issued and outstanding	
		Shares	Amount (\$000's)
Class A	10,000,000	5,493,918	\$49,026
Add: issued on exercise of share purchase warrants		172,307	2,241
		5,666,225	51,267
Class B	720,000	720,000	480
		<u>6,386,225</u>	<u>\$51,747</u>
Less—elimination of shares held directly and indirectly through a subsidiary(i)		2,142,969	
Common shares effectively outstanding		<u>4,243,256</u>	

249,520 Class A common shares were reserved for issue at December 31, 1976 on exercise of share purchase warrants issued in 1969 to Series B preferred shareholders. These warrants have an exercise price of \$13 and expire on October 31, 1979. If imputed earnings on the proceeds from exercise of these warrants were calculated at the average rate of return for the period on actual outstanding equity, the dilution from actual earnings per share would have been insignificant.

(i) The common shares of Traders Group Limited held directly and indirectly by a subsidiary and the portion eliminated on consolidation are as follows:

	Common Shares		Total
	Class A	Class B	
Indirect holding:	<u>275,080</u>	<u>582,794</u>	<u>857,874</u>
Applicable to subsidiary	182,426	386,494	568,920
Direct holding:	<u>1,484,659</u>	<u>89,390</u>	<u>1,574,049</u>
Total shares eliminated on consolidation	<u>1,667,085</u>	<u>475,884</u>	<u>2,142,969</u>
Cost of shares eliminated on consolidation			<u>\$28,049,000</u>

Accounting Practices

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries except Guaranty Trust Company of Canada and the Canadian General Insurance Group because their assets and investments are regulated and are not interchangeable with those of the Company.

All subsidiaries are consolidated as of their fiscal year-end of December 31, except for the Land Development companies whose fiscal year-ends are November 30.

Associated Companies

The Company and certain subsidiaries hold up to 50% of the equity shares in a number of associated companies. The investments in associated companies are carried at cost plus excess of earnings over dividends received from date of acquisition. Income pertaining to these investments is accounted for on an equity basis.

Foreign Exchange

Foreign currency receivables and debt of the Company due within one year are translated to Canadian dollars at either the exchange rate at balance sheet date or at forward contract rates where such contracts have been made. Foreign currency receivables and debt of the Company due beyond one year are included in the consolidated financial statements at the Canadian dollar amount received at date of issue.

Foreign cash balances of the Company are translated to Canadian dollars at the exchange rate at balance sheet date.

The financial statements of foreign subsidiaries have been translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Realized gains or losses arising from market exchange fluctuations are reflected in current operations, while those arising from revaluation of currencies are recorded as extraordinary items.

Unearned and Deferred Income

Unearned income on lease contracts and certain long term instalment contracts is computed on an actuarial yield basis. Unearned income on other instalment contracts is computed by the sum of the digits method.

Land Development subsidiaries defer gross margins on land sales until at least 15% of the sale price has been received in cash.

Land Inventories of Subsidiaries

Land development and carrying costs are accumulated in the carrying value of land and charged against income proportionate to the sales to date of each development. Land is carried at development cost to date, but not in excess of estimated market value.

Auditors' Report

February 11, 1977

To the Shareholders of Traders Group Limited

We have examined the balance sheet of Traders Group Limited and consolidated subsidiaries as at December 31, 1976 and the statements of net income, surplus and changes in financial position for the five years then ended. Our examination of Traders Group Limited and the subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of Aetna Factors Corporation Ltd. and subsidiaries. The assets of these companies, as included in the consolidated balance sheet amounted to 5.2% of the total consolidated assets.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1976 and the results of their operations and the changes in their financial position for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

We have also agreed the amounts appearing in the consolidated balance sheet, statements of surplus, net income and changes in financial position with the amounts included in the audited consolidated financial statements of Traders Group Limited and consolidated subsidiaries for the years 1972, 1973 and 1974.

PRICE WATERHOUSE & CO.
Chartered Accountants
Toronto, Canada

SUMMARY OF ASSETS AND LIABILITIES

(\$000's; November 30)

	1976	1975	1974	1973	1972
ASSETS					
Cash	\$ 564	\$ 82	\$ 92	\$ 31	\$ —
Mortgages receivable	9,664	11,605	6,773	5,649	1,374
Land inventory at development cost	18,455	12,347	6,218	6,729	8,862
Investments in associated companies, at equity value	350	912	891	655	450
Fixed assets (net of depreciation)	88	66	—	—	—
	\$29,121	\$25,012	\$13,974	\$13,064	\$10,686
LIABILITIES					
Payables	\$ 3,431	\$ 3,335	\$ 1,754	\$ 975	\$ 275
Bank loans	4,318	905	659	130	675
Mortgages payable	4,197	5,091	1,677	1,282	2,464
Income taxes (current and deferred)	3,367	2,552	1,540	1,108	172
Deferred gross margin on land sales	—	91	—	920	—
Advances from parent and associated companies	7,417	7,900	3,725	4,803	4,386
Traders investment, at equity value	6,391	5,138	4,619	3,846	2,714
	\$29,121	\$25,012	\$13,974	\$13,064	\$10,686

SUMMARY STATEMENT OF INCOME

(\$000's; Year ended November 30)

	1976	1975	1974	1973	1972
Income					
Land sales	\$12,564	\$10,189	\$ 5,777	\$ 8,432	\$ 1,311
Deferral on gross margin	—	(91)	920	(920)	—
Other	988	684	510	159	440
	13,552	10,782	7,207	7,671	1,751
Investments in associated companies	60	284	486	227	539
	13,612	11,066	7,693	7,898	2,290
Expenses					
Cost of sales	8,134	7,416	4,128	4,850	896
General and administrative	1,578	855	537	179	234
	9,712	8,271	4,665	5,029	1,130
Income before income taxes	3,900	2,795	3,028	2,869	1,160
Income taxes	1,837	1,284	1,341	1,332	317
Net contribution to Traders	\$ 2,063	\$ 1,511	\$ 1,687	\$ 1,537	\$ 843

SUMMARY OF ASSETS AND LIABILITIES

(\$000's; December 31)

	1976	1975	1974	1973	1972
ASSETS					
Cash	\$ 2,869	\$ 5,158	\$ 7,756	\$ 3,166	\$ 3,182
Bonds (Note)	47,585	37,651	32,151	34,251	32,805
Stocks (Note)	12,098	10,796	13,596	12,429	10,812
Mortgages	17,747	11,816	4,129	4,006	3,431
Agents' balances	8,867	6,334	5,690	5,062	5,203
Other receivables	2,306	1,636	1,574	1,761	1,562
Fixed assets, at cost less depreciation	2,154	2,119	2,204	2,266	2,355
	\$ 93,626	\$ 75,510	\$ 67,100	\$ 62,941	\$ 59,350

LIABILITIES

Payables	\$ 5,545	\$ 6,153	\$ 3,402	\$ 2,331	\$ 2,076
Claims in course of settlement	38,831	30,306	27,899	25,984	25,697
Mortgages payable	631	753	867	969	1,066
Income taxes (current and deferred)	3,497	1,430	715	1,216	712
Unearned insurance premiums	22,320	16,577	15,455	13,948	13,127
Minority Interest	619	649	596	702	687
Traders' investment, at equity value	22,183	19,642	18,166	17,791	15,985
	\$ 93,626	\$ 75,510	\$ 67,100	\$ 62,941	\$ 59,350

NOTE: Market value of securities

Bonds	\$ 44,601	\$ 32,387	\$ 26,712	\$ 30,250	\$ 30,778
Stocks	10,759	8,460	9,815	11,485	11,329

STATISTICS

LIFE AND DISABILITY INSURANCE

Life insurance in force (\$000's)	\$510,581	\$398,112	\$361,620	\$102,985	\$120,331
Net premiums earned (\$000's)	5,861	4,737	4,301	3,484	2,970

SUMMARY STATEMENT OF INCOME

(\$000's; Year ended December 31)

	1976	1975	1974	1973	1972
Gross premiums written.....	\$64,582	\$ 48,480	\$ 41,711	\$ 36,572	\$ 33,400
Reinsurance ceded.....	(6,488)	(6,856)	(5,629)	(3,674)	(2,538)
Change in unearned premium reserve	(6,039)	(1,122)	(1,507)	(821)	(494)
Net premiums earned.....	52,055	40,502	34,575	32,077	30,368
Claims	34,153	27,288	24,472	20,836	20,191
Commissions and premium taxes	11,147	7,976	7,565	6,597	6,216
General and administrative expenses.....	7,581	6,341	6,020	5,434	5,575
	52,881	41,605	38,057	32,867	31,982
Net underwriting loss	(826)	(1,103)	(3,482)	(790)	(1,614)
Investment income and inter-company dividends	5,242	4,043	3,655	2,931	2,682
Gain (loss) on sale of securities	(352)	(302)	55	799	924
	4,064	2,638	228	2,940	1,992
Income taxes	1,864	1,163	(98)	1,089	609
Net income before minority interest	2,200	1,475	326	1,851	1,383
Minority interest and consolidating adjustments.....	(60)	(70)	(45)	(91)	(182)
Net contribution to Traders, before extraordinary item	2,140	1,405	281	1,760	1,201
Extraordinary item: Income taxes realized on the carry forward of past losses	296	47	—	—	—
	\$ 2,436	\$ 1,452	\$ 281	\$ 1,760	\$ 1,201

STATISTICS

GENERAL INSURANCE

Net premiums earned (\$000's)	\$ 46,194	\$ 35,765	\$ 30,274	\$ 28,593	\$ 27,399
Claims to premiums earned	64.2%	66.8%	71.8%	65.0%	67.1%
Other expenses to net premiums written	32.8	35.0	38.6	37.0	38.2
Combined ratio	97.0%	101.8%	110.4%	102.0%	105.3%

Summary Balance Sheet

(\$000's; December 31)

	1976	1975	1974	1973	1972
ASSETS					
INVESTMENTS					
Cash and bank deposit receipts	\$ 98,246	\$ 73,034	\$ 39,007	\$ 65,077	\$ 32,889
Securities and loan income due and accrued	11,742	9,218	9,215	9,508	6,342
Collateral loans to investment dealers	8,910	10,880	4,950	6,816	30,280
Securities—					
Government of Canada & Provinces of Canada	70,421	70,422	72,537	80,288	84,608
Corporate notes	30,619	31,107	31,939	40,023	74,715
Other securities—					
Municipal	3,009	3,192	3,513	3,462	3,401
Corporation bonds and debentures	29,981	30,359	32,641	33,331	19,234
Stocks	24,817	16,856	18,933	16,946	13,694
	158,847	151,936	159,563	174,050	195,652
Loans—Consumer	88,301	57,439	46,713	25,074	14,536
—Corporate	26,483	19,306	17,266	6,852	—
—Mortgages	817,832	748,132	742,193	651,770	507,110
	932,616	824,877	806,172	683,696	521,646
Other investments	4,312	4,937	5,332	4,547	540
	1,214,673	1,074,882	1,024,239	943,694	787,349
OTHER ASSETS					
Premises, leasehold improvements & equipment, at cost	11,560	10,524	9,762	8,809	7,993
Less: accumulated depreciation & amortization	5,190	4,787	4,238	3,792	3,443
	6,370	5,737	5,524	5,017	4,550
Accounts receivable and other assets	7,265	5,560	4,959	4,477	1,147
	\$1,228,308	\$1,086,179	\$1,034,722	\$ 953,188	\$ 793,046

Assets Under Administration

(\$000's; December 31)

Company and Guaranteed Funds	\$1,228,308	\$1,086,179	\$1,034,722	\$ 953,188	\$ 793,046
Estate, Trust and Agency Assets	822,443	712,677	629,000	579,595	551,747
Total Assets Under Administration	\$2,050,751	\$1,798,856	\$1,663,722	\$1,532,783	\$1,344,793

	1976	1975	1974	1973	1972
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Guaranteed Trust Account:					
Savings and chequing accounts	\$ 282,915	\$ 271,154	\$ 217,252	\$ 238,554	\$ 260,472
Guaranteed investment certificates	789,466	689,483	598,629	551,581	399,812
Time deposits	61,812	42,388	136,610	95,716	71,876
Interest accrued and other payables	24,693	21,306	22,829	18,022	12,077
	<u>1,158,886</u>	<u>1,024,331</u>	<u>975,320</u>	<u>903,873</u>	<u>744,237</u>
Other liabilities	1,218	740	944	2,831	3,471
Subordinated shareholder loans	8,050	7,950	7,920	—	—
Deferred income taxes	2,591	2,059	1,441	1,283	363
	<u>11,859</u>	<u>10,749</u>	<u>10,305</u>	<u>4,114</u>	<u>3,834</u>
SHAREHOLDERS' EQUITY					
Capital stock (Note)	13,333	11,111	10,889	8,889	8,889
General reserve	39,618	36,361	36,000	33,000	33,000
Retained earnings	4,612	3,627	2,208	3,312	3,086
	<u>57,563</u>	<u>51,099</u>	<u>49,097</u>	<u>45,201</u>	<u>44,975</u>
	<u>\$1,228,308</u>	<u>\$1,086,179</u>	<u>\$1,034,722</u>	<u>\$ 953,188</u>	<u>\$ 793,046</u>

NOTE: (000's)

Authorized:

Preference shares, \$20 par value	1,250	1,250	1,250	—	—
Common shares, \$2 par value	10,000	10,000	10,000	10,000	10,000
Issued and fully paid: Common shares	6,667	5,556	5,444	4,444	4,444

Balance at beginning of the year	\$ 36,361	\$ 36,000	\$ 33,000	\$ 33,000	\$ 30,000
Net proceeds in excess of par value of common shares issued	3,257	361	3,000	—	—
Transfer from unappropriated earnings	—	—	—	—	3,000
Balance at end of year (Note)	<u>39,618</u>	<u>36,361</u>	<u>36,000</u>	<u>33,000</u>	<u>33,000</u>

NOTE:

Includes contributed surplus	25,741	22,484	22,123	19,123	19,123
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Statement of General Reserve

(\$000's. Year ended December 31)

Statement of Revenue and Expense

(\$000's; Year ended December 31)

	1976	1975	1974	1973	1972
REVENUE					
Interest from mortgages and other loans	\$83,210	\$ 74,100	\$ 66,720	\$ 49,347	\$ 42,008
Interest and dividends from securities and bank deposit receipts	18,856	14,706	16,053	17,677	13,247
Real estate fees and commissions	3,631	2,661	2,212	1,822	1,041
Other fees and commissions	9,448	8,700	8,181	6,437	5,760
	115,145	100,167	93,166	75,283	62,056
EXPENSE					
Interest on deposits and subordinated shareholder loans	88,355	76,930	75,359	53,756	41,772
Salaries and staff benefits	12,381	11,009	9,662	8,144	6,395
Premises including depreciation and amortization	2,509	1,938	1,687	1,355	1,229
Real estate commissions paid	2,710	2,000	1,612	1,218	686
Other operating expenses	6,759	5,870	5,610	4,690	2,962
	112,714	97,747	93,930	69,163	53,044
Operating profit (loss) before taxes	2,431	2,420	(764)	6,120	9,012
Income tax—Current	—	—	(1,200)	1,946	4,094
—Deferred	544	619	225	699	(47)
	544	619	(975)	2,645	4,047
Net operating profit	1,887	1,801	211	3,475	4,965
Net gain (loss) on investments less applicable income taxes	76	62	(71)	40	217
Net profit before extraordinary item	1,963	1,863	140	3,515	5,182
Gain on disposal of premises	—	—	—	—	200
Net profit for the year	\$1,963	\$ 1,863	\$ 140	\$ 3,515	\$ 5,382
Earnings per share*					
Net operating profit	\$0.31	\$0.33	\$0.05	\$0.78	\$1.12
Net gain (loss) on investments	0.01	0.01	(0.02)	0.01	0.05
Net profit before extraordinary item	0.32	0.34	0.03	0.79	1.17
Net profit for the year	0.32	0.34	0.03	0.79	1.21
Dividends per share	0.16	0.08	0.28	0.56	0.56
*Based on weighted average shares outstanding (000's)	6,111	5,491	4,444	4,444	4,444

Earnings Per Share

(Year ended December 31)

Statement of Retained Earnings

(\$000's; Year ended December 31)

	1976	1975	1974	1973	1972
Balance at beginning of the year	\$ 3,627	\$ 2,208	\$ 3,312	\$ 3,086	\$ 3,193
Net profit for the year	1,963	1,863	140	3,515	5,382
	5,590	4,071	3,452	6,601	8,575
Deduct—Dividends	978	444	1,244	2,489	2,489
—Provision for settlement of claim	—	—	—	800	—
—Transfer to general reserve	—	—	—	—	3,000
Balance at end of the year	\$ 4,612	\$ 3,627	\$ 2,208	\$3,312	\$ 3,086

Notes to Financial Statements

December 31, 1976

1. Summary of Accounting Policies:

These financial statements comply with all disclosure requirements of the Trust Companies Act (Canada). The significant accounting policies are in the "Summary of Accounting Policies" which is an integral part of these financial statements.

2. Securities: (\$000's)

	1976	1975
Government of Canada and Provinces of Canada	\$ 70,421	\$ 70,422
Corporate notes	30,619	31,107
Other securities:		
Municipal	3,009	3,192
Corporation bonds and debentures	29,981	30,359
Stocks	24,817	16,856
(Market value 1976—\$53,286; 1975—\$43,418)	57,807	50,407
	\$ 158,847	\$ 151,936

3. Assets held for

Guaranteed Trust Account: (\$000's)

	1976	1975
Cash and bank deposit receipts	\$ 80,052	\$ 52,707
Securities	124,216	124,258
Mortgages	817,832	748,132
Other loans	121,714	86,635
Accrued interest and other	15,072	12,599
	\$1,158,886	\$1,024,331

4. Subordinated Shareholder Loans:

This comprises:

- (a) A loan of \$5,050,000 (U.S. \$5,000,000) payable to National Bank of Detroit, parent company of International Bank of Detroit, a major shareholder. The loan is interest bearing and repayable on January 31, 1978 and the proceeds of the loan are held in a U.S. dollar bank deposit receipt.
- (b) A loan of \$3,000,000 payable to Traders Group Limited, the parent company. The loan is interest bearing and repayable on or before December 30, 1980.

5. Common Shares Issued:

On June 30, 1976 the Company issued 1,111,100 common shares for a total cash consideration of \$5,555,500.

6. Anti-Inflation Act:

The Company is subject to, and believes it has complied with, controls on profit margins, compensation and dividends under the anti-inflation program.

Summary of Accounting Policies

The Company follows accounting policies common to trust companies. The significant policies are as follows:

(A) INVESTMENTS:

Securities are stated at amortized cost except for corporate notes and stocks which are stated at cost. Loans secured by mortgage are stated at cost less any provision for losses which management considers necessary in the circumstances. Other investments are stated at cost.

Income is recorded on an accrual basis. Discounts or premiums on the purchase of government bonds are amortized on a yield to maturity basis. Discounts or premiums on other bonds and loans are amortized on a straight-line basis over the term to maturity.

Realized gains or losses on investments are included in the statement of revenue and expense.

(B) REVENUE FROM FEES AND COMMISSIONS:

The Company follows accrual accounting for all corporate services it provides including the stock transfer agency business. Accrual accounting is also followed for most fees arising from the estate, trust and agency business.

(C) DEPRECIATION AND AMORTIZATION:

Depreciation is computed by the reducing balance basis on buildings at 5% and equipment at 20%. Amortization of leasehold improvements is computed by the straight-line method over the life of the lease plus the first renewal period.

(D) INCOME TAX:

Income taxes are provided on the tax allocation basis which relates income taxes to the accounting income for the year. The Company's income tax provisions are lower than the prevailing corporate tax rate because of the amount of tax-free dividend income it received.

Auditors' Report

To the Shareholders of Guaranty Trust Company of Canada

We have examined the balance sheet of Guaranty Trust Company of Canada as at December 31, 1976 and the statements of revenue and expense, retained earnings and general reserve for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and changes in general reserve for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, February 1, 1977

Directors and Officers

DIRECTORS

G.R. CHATER
President
Grafton Group Limited

H.E. DYNES
Chairman and Chief Executive Officer
Traders Group Limited

E.W. FLANAGAN
President and Chief Operating Officer
Traders Group Limited

R.G. GRAHAM
President
Inter-City Gas Limited

R.O. HEDLIN
Economic Consultant

J.C. LOCKWOOD
Chairman of the Board and President
Carling O'Keefe Limited

G.C. MacDONALD
Chairman of the Board and
Chief Executive Officer
McLeod, Young, Weir & Company Limited

James. W. McCUTCHEON, Q.C.
Partner
Shibley, Righton & McCutcheon

D.A. McINTOSH, Q.C.
Partner
Fraser & Beatty

B.H. RIEGER
Vice President
Canadian Corporate Management
Co. Ltd.

H.C. RYNARD, P. Eng.
President
Acres Consulting Services Limited

R.L. SHEARD, F.I.B.
Financial Consultant

D.I. WEBB, F.C.A.
Financial Consultant

G.E. WHITLEY, Q.C.
Vice President, Secretary and
General Counsel
Traders Group Limited

OFFICERS

H.E. DYNES
*Chairman of the Board and
Chief Executive Officer*

E.W. FLANAGAN
President and Chief Operating Officer

Senior Vice Presidents

G.C. BRAIN, Finance

J.D. DERBYSHIRE
Personal Financial Services

G.D. WALLACE
Business Financial Services

L.C. WRIGHT, C.A., Administration

Vice Presidents

W.C. ATTEWELL, Planning and Analysis

P.D.R. BROWN
International Operations

D.K. CLARKSON, Credit

A.M. CLINE
Personal Financial Services—Central

W.L. COCHRANE
Corporate Loans and Leasing

J.C. HASLER
Business Financial Services

R.J. HEROLD
Advertising and Public Relations

J.G. HUNTER
Personal Financial Services—West

F.P. KEEFE, C.A., Treasurer

A.R. MITCHELL
Personal Financial Services—East

M.E. MURPHY, Information Services

D.F. POLS, C.A., Controller

G.E. WHITLEY, Q.C.
Secretary and General Counsel

Assistant Secretary

J.F. VARCOE
Manager, Legal Department

Assistant Treasurers

A.L. BUTLER

J.F. ELLIS
Manager, Money Market

COMMITTEES

EXECUTIVE COMMITTEE

G.R. Chater, Chairman
H.E. Dynes
E.W. Flanagan
James. W. McCutcheon
D.A. McIntosh
B.H. Rieger
R.L. Sheard
D.I. Webb

AUDIT COMMITTEE

R.L. Sheard, Chairman
G.R. Chater
H.E. Dynes
J.C. Lockwood
James W. McCutcheon

FINANCE COMMITTEE

G.C. Brain, Chairman
G.R. Chater
H.E. Dynes
James W. McCutcheon
D.I. Webb
L.C. Wright

SUBSIDIARIES

GUARANTY TRUST COMPANY OF CANADA
Chairman of the Board
H.E. Dynes

President & Chief Executive Officer
A.R. Marchment, F.C.A., C.P.A.

CANADIAN GENERAL INSURANCE GROUP
Canadian General Insurance Company
Toronto General Insurance Company
Traders General Insurance Company

Chairman
James W. McCutcheon, Q.C.

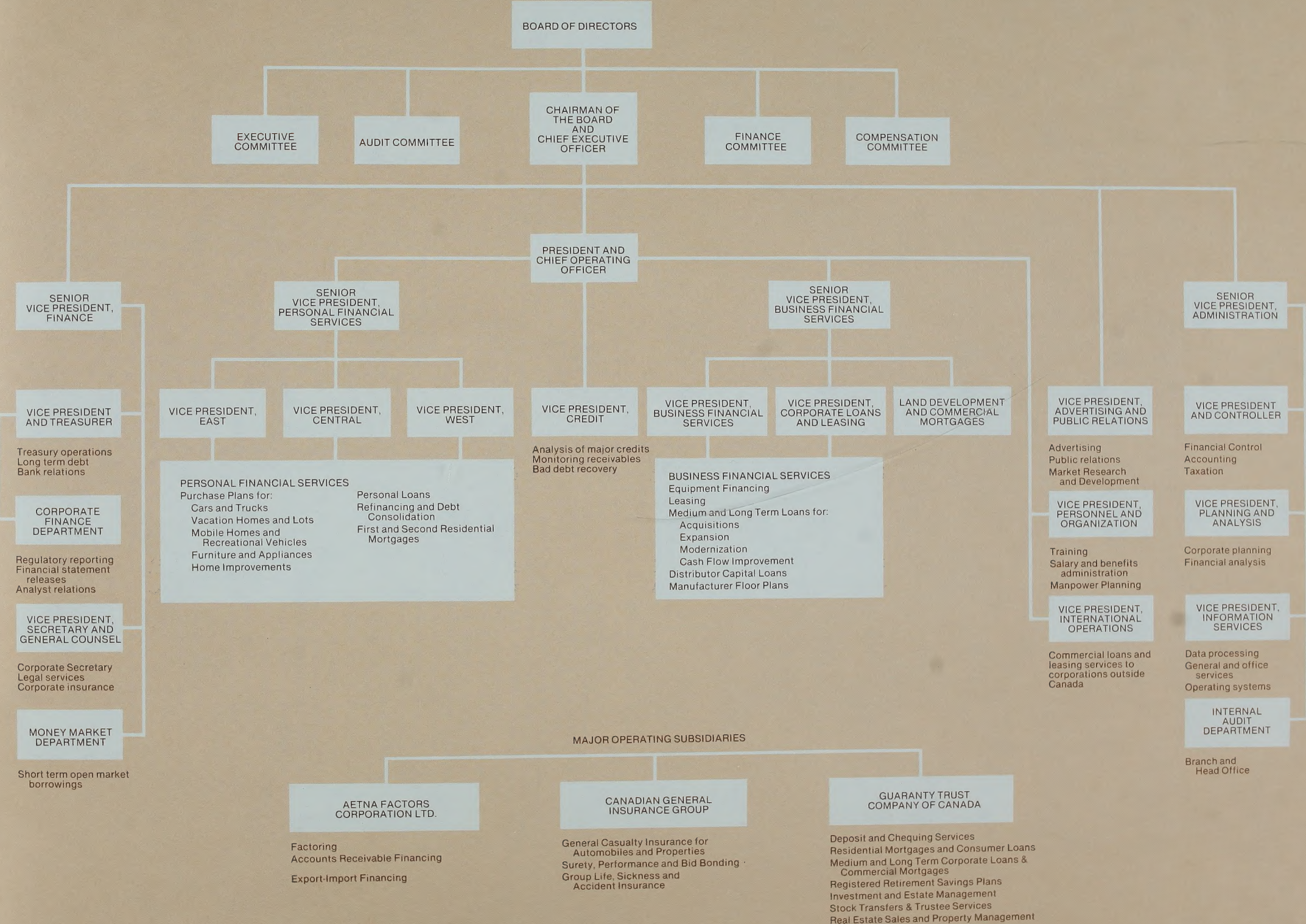
President
R.E. Bethell

Canadian General Life Insurance Company
Chairman
James W. McCutcheon, Q.C.

President
C.P. Flood

AETNA FACTORS CORPORATION LTD
President
M. Suhl

Organization Chart



Head Office

625 Church Street
Toronto, Ontario
M4Y 2G1

Auditors

Price Waterhouse & Co.
Chartered Accountants
Toronto, Ontario

Stock Exchange Listings

(Symbol: TG)

Toronto Stock Exchange: Class A & B common,
preferred, warrants

Montreal Stock Exchange: Class A & B common

Vancouver Stock Exchange: Class A & B common

Traders Group Limited

Principal Subsidiary Companies

(December 31, 1976)

Consolidated Subsidiaries

FINANCE GROUP

	Effective % held by Traders	Investment at cost and advances from Traders (\$000's)
Trans Canada Credit Corporation Limited	100.0%	\$ 13,360
Traders Homeplan Limited and subsidiaries	99.9	152,122
Traders Realty Limited	100.0	11,911
Traders Finance Corporation (1966) Limited	100.0	1,124
Aetna Factors Corporation Ltd. and subsidiaries	60.0	6,615
Traders Finance S.A. and subsidiaries	100.0	8,409
Traders Finance Corporation (1976) Limited	100.0	6,642*

LAND DEVELOPMENT

Forest Glenn (Dixie) Limited and subsidiaries	100.0	**
Traders Developments Limited and subsidiaries	100.0	**

Subsidiaries not consolidated

Canadian General Insurance Group	97.8	2,730
Guaranty Trust Company of Canada	58.7	36,352

*After elimination of \$28,049 inter-company holdings.

**Cost of investment less than one thousand dollars.

Share Transfer Agents and Registrars

Guaranty Trust Company of Canada
Toronto, Montreal, Winnipeg,
Calgary, Vancouver

Bank of Montreal Trust Company
New York, N.Y.

Trustees

Senior Secured Debt—
The Royal Trust Company
Toronto, Ontario

Debentures—
The Canada Trust Company
Toronto, Ontario

Bankers

IN CANADA ⁽¹⁰⁾

Bank of British Columbia
Bank of Montreal
Bank Canadian National
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Mercantile Bank of Canada
The Provincial Bank of Canada
The Royal Bank of Canada
The Toronto-Dominion Bank
Unity Bank of Canada

IN THE UNITED STATES OF AMERICA ⁽²⁴⁾

Bank of America
Bankers Trust Company
Chemical Bank
Citibank, N.A.
Continental Illinois National Bank and
Trust Company of Chicago
Crocker National Bank
Harris Trust & Savings Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank
Mellon Bank, N.A.
National Bank of Detroit
New Jersey Bank, National Association
Seattle-First National Bank
Security Pacific National Bank
Swiss Bank Corporation
The Chase Manhattan Bank, National
Association
The Cleveland Trust Company
The First National Bank of Boston
The First National Bank of Chicago
Union Bank
United California Bank
Wells Fargo, National Association

IN EUROPE ⁽²⁾

Western American Bank (Europe) Limited
International Commercial Bank Limited

TRADERS

GROUP LIMITED

STATISTICAL SUPPLEMENT 1976